



A guide to workplace pensions



Supporting the hair, beauty
and barbering industries



How the NHF can help

Check out the NHF's other guides on all aspects of running a hair, barbering or beauty business at www.nhf.info/nhf-guides.

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- Franchising
- GDPR
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- Hiring a manager
- Managing performance
- Marketing your salon
- Minimum wages
- Pensions
- Prices, wages and profit
- Recruitment
- Salon fit-out
- Salon software
- Self-employment
- Selling your business
- Start-up guide

Introduction

All employers must provide a workplace pension for their employees. This guide explains the basics including:

- Workplace pensions: what the law says
- What is a workplace pension?
- Am I an employer?
- How do I manage my workplace pension scheme?
- Which employees are eligible?
- What if my employees don't want to join the scheme?
- Can employees opt back in after leaving?
- Can other employees join the scheme?
- How much do I have to pay?
- What are 'qualifying earnings'?
- How do I pay?
- How much do my employees pay?
- How are payments made?
- What about stakeholder and other types of pension?
- Who provides workplace pensions?
- What about my chair and room renters?

Please note:

This guide offers general information only. It is correct at the time of writing. It should not be used as a substitute for legal or professional advice.





Workplace pensions:

WHAT THE LAW SAYS

Employers must provide a workplace pension. Eligible employees must be automatically enrolled in your workplace pension scheme. Your employees must not have to complete application forms, sign forms, or provide any information.

Your workplace pension scheme must be one that is registered with HMRC.

WHAT IS A WORKPLACE PENSION?

A workplace pension will help your employees save for their retirement. As an employer, you are responsible for organising a workplace pension for your employees.

You, your employee and the government (via tax relief) will pay into your workplace pension scheme.

AM I AN EMPLOYER?

If you pay someone on a regular basis and deduct tax and National Insurance from their wages you are almost certainly an employer.

As an employer you must automatically enrol your employees in a workplace pension scheme.

HOW DO I MANAGE MY WORKPLACE PENSION?

Bear in mind that your workplace pension provider will not run the scheme for you on a day-to-day basis.

Running a pension scheme is not an easy task. You'll probably need the services of a payroll company or accountant to administer the scheme, including:

- Managing contributions.
- Keeping track of leavers and joiners.
- Sending out required communications to scheme members.
- Dealing with members' queries and enquiries.
- Ensuring you and the pension scheme comply with a range of complex regulations.

Find out more about **NHF Trade Members** who offer financial services: www.nhf.info/financial

WHICH EMPLOYEES ARE ELIGIBLE?

You must automatically enrol employees in your workplace pension scheme and pay contributions towards their pension if they:

- are aged between 22 and state pension age;
- earn at least £10,000 a year; and
- usually work in the UK.

You have the right to delay their joining date by up to three months after they start working for you (and in some specific circumstances for longer).

You must tell your employee in writing:

- The date you will enrol them into your workplace pension scheme.
- Which type of pension scheme you are providing.
- Which pension company runs it.
- How much your employee will contribute.
- How much you will contribute.
- How your employee can leave the scheme if they want to (opt out).

WHAT IF MY EMPLOYEES DON'T WANT TO JOIN MY WORKPLACE PENSION SCHEME?

You will still have to automatically enrol your employees in your workplace pension scheme.

Your employees will then have the right to leave ('opt out') of your workplace pension scheme. They will have to contact your workplace pension provider to opt out. You must tell your employees how to do this. **However, you must not persuade your employees to opt out or help to convince them that it's a good idea to do so.**

If your employee opts out within one month of joining the pension scheme they will get back any money they have paid in.

It is not possible to refund payments if they opt out later. The funds will then stay in your employee's pension pot, usually until they retire.

CAN THEY OPT BACK IN?

Your employee can write to you at any time and ask to rejoin your workplace pension scheme.

You do not have to accept them back into the workplace pension if they have opted in then opted out in the past 12 months.

Don't forget:

The law says you must re-enrol opted-out employees every three years. They can then opt out again if they wish.

HOW MUCH DO I HAVE TO PAY INTO MY WORKPLACE PENSION SCHEME?

You do not have to contribute to your employee's pension if they asked to join (because they were not eligible for automatic enrolment) and earn the following amounts or less (tax year starting 6 April 2018):

- £503 a month.
- £116 a week.
- £464 every two weeks.

For all your other employees, whether automatically or voluntarily enrolled, you must pay:

- At least 2% of your employee's 'qualifying earnings'.
- From April 2019: at least 3% of your employee's 'qualifying earnings'.



WHAT ARE 'QUALIFYING EARNINGS'?

In the tax year starting 6 April 2018, 'qualifying earnings' are between £6,032 and £46,350 a year before tax (£116-£892 per week or £503-£3863 per month). The total amount will include:

- Salary or wages.
- Bonuses and commission.
- Overtime payments.
- Statutory Sick Pay.
- Statutory Maternity, Paternity or Adoption Pay.

HOW DO I PAY?

You must pay your contribution for each of your employees by the date you agree with your workplace pension provider.

Important:

You may be fined by The Pensions Regulator if you pay late or don't pay the minimum contribution.

HOW MUCH DO MY EMPLOYEES HAVE TO PAY INTO THE WORKPLACE PENSION?

The minimum contributions your employees must pay are:

- At least 3% of their 'qualifying earnings'.
- From April 2019, 5% of their 'qualifying earnings'.

HOW ARE MY EMPLOYEES' CONTRIBUTIONS PAID?

You must deduct their contribution direct from their salary each month and pay it into the scheme by the date you have agreed with your workplace pension provider, but no later than the 22nd day of the next month (the 19th day if you pay by cheque).

WHAT ABOUT STAKEHOLDER AND OTHER PENSIONS?

If you already provide a stakeholder pension for your employees, you may continue to deduct and pay contributions to the stakeholder pension provider on behalf of your employees.

However, if the stakeholder pension does not meet the requirements of a 'qualifying workplace pension scheme' (QWPS), employees who are members will have to be auto-enrolled onto a QWPS.

You may be able to use your stakeholder scheme (or another type of scheme you may already have in place) to provide the automatic enrolment workplace pension now required by law. However, you must check with your pension provider to see if you can do this.

If not, you will need to provide a new automatic enrolment workplace pension scheme for employees.

Who provides workplace pensions?

Most salons and barbershops will want a low-cost option that is reliable, trustworthy and as straightforward as possible.

Many companies offer workplace pensions, but you may wish to consider the following options:

- Salvus Master Trust pension scheme.
- NEST: a workplace pension scheme set up by the government.
- The People's Pension: provided by B&CE, a not-for-profit organisation.

SALVUS MASTER TRUST PENSION SCHEME

The NHF works with Salvus Master Trust to offer a workplace pension scheme to NHF Members and non-members. It is designed as a self-service scheme to be managed via the website.

Costs

There are no set-up costs. Employers pay £20 +VAT per month. Salvus offers free software that will issue statutory communications and keep records as required by The Pensions Regulator.

Employees pay low charges which come out of their pot of money.

Further information

www.nhf.info/pensions

NEST

NEST is a workplace pension scheme set up by the government. It aims to make pensions as simple as possible for employers and can be managed online. Communication templates are available via the NEST website.

Costs

There are no set-up costs or monthly charges for employers.

Employees pay low charges which come out of their pot of money.

Further information

www.nestpensions.org.uk/schemeweb/nest/aboutnest

THE PEOPLE'S PENSION

The People's Pension is provided by the not-for-profit organisation B&CE which aims to offer simple financial products. It is suitable for employers of any size and in any industry. Communication templates are available via The People's Pension website.

Costs

£500 + VAT.

£300 + VAT if set up through a business adviser.

Employees pay low charges which come out of their pot of money.

Further information

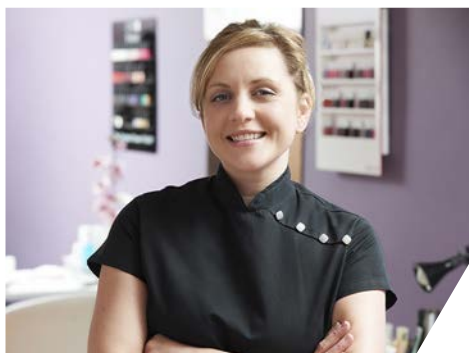
www.thepeoplespension.co.uk/employers

01293 586637

newbusiness@thepeoplespension.co.uk

WHAT ABOUT CHAIR AND ROOM RENTERS?

Your chair and room renters are self-employed. They are not employed by you and you do not have to enrol them in a workplace pension scheme. Chair and room renters run their own businesses and must sort out their own pension arrangements.



The NHF is here for you

Take us with you on your journey. You'll be in safe hands with us. As a Member you'll benefit from:

- Our friendly membership helpline for everyday business support.
- Free 24/7 legal and commercial helpline.
- Essential health & safety kits.
- Free Member-only in-depth guides about all aspects of running your business.
- Savings and discounts on business essentials including insurance.

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