

Switchfoot Workplace Pension Guide

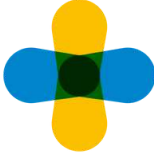
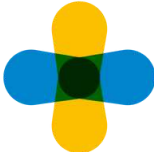

Certified



Corporation



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-  What is a workplace pension scheme?
-  What to consider when establishing a workplace pension scheme?
-  How to find the right workplace pension scheme to match your needs?



How to choose a work-based pension for your business

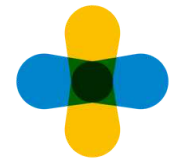
As an employer of 'eligible workers' you have been given the task of choosing, setting up, and administering a pension scheme on behalf of your team. It is a decision that could have profound consequences.

We hope you find the following guide useful as you embark on your journey into retirement planning. We do not seek to answer all of your questions here, but rather help you to identify the right questions to ask - saving you time and money in arriving at the right course of action.

This guide has been produced by Switchfoot Wealth Limited a firm of regulated independent financial advisers. The guide is not designed to replace advice and you should not rely solely on it for making any decision. You can find out more about Switchfoot Wealth and book a meeting to discuss pensions from our website www.switchfootwealth.co.uk



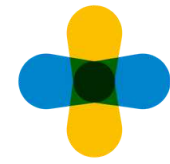
What are you trying to achieve?



Compliance at the lowest cost to the business?

You need to comply with the rules within a tight budget. You do not need to 'compete' for talent against competitors via pension benefits.

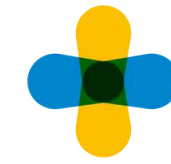
or?



A pension as an attractive benefit for your team?

You employ workers that expect a high quality pension, with good investment options. Perhaps combined with other employee benefits. It is a key part of your strategy to attract and retain talent.

or?



A balance between these 2 objectives?

For most businesses, the reality is somewhere between these extremes, the pension is important but the right balance must be found to keep things affordable to you the employer.



A bit about "pensions"...

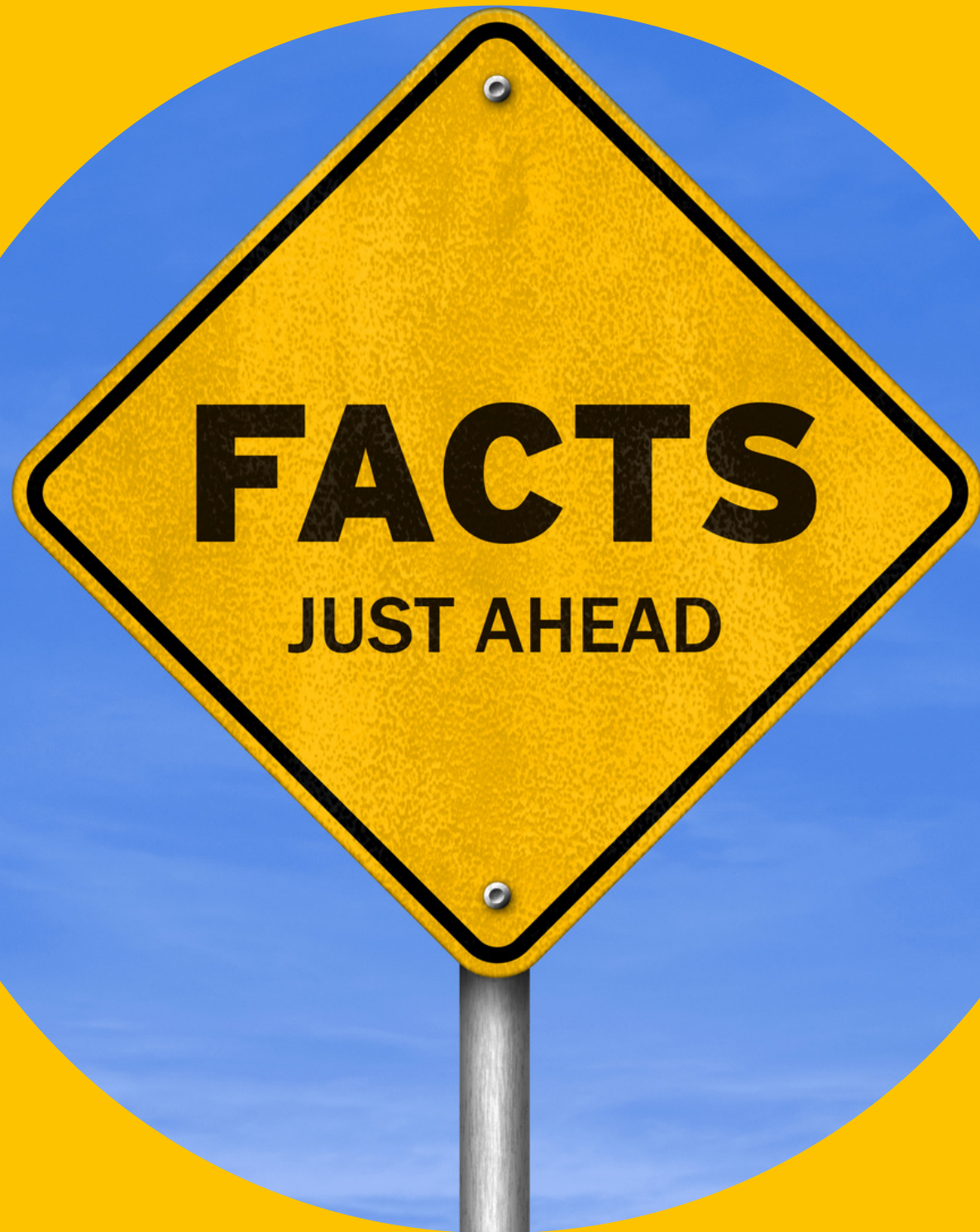
A pension is simply, a tax efficient way to save for retirement. Pensions come in many shapes and sizes. We can describe and categorize the pensions market in a myriad of different ways. As an employer of eligible workers, you should be aware of the difference between '[occupational pensions](#)' and '[personal pensions](#)'. This guide is about occupational pensions and is aimed at the key decision makers in your business tasked at choosing or reviewing your occupational pension. Occupational pensions are regulated by The Pensions Regulator (thepensionsregulator.gov.uk) whereas personal pensions are regulated by the Financial Conduct Authority (fca.org.uk).

A bit about "advice"...

As an employer, it is important that you understand what you can say and do, and what you cannot because the rules do not permit it. Essentially, you should be careful not to give financial advice. Financial advice is a regulated activity and must only be given by people with both the necessary qualifications and permissions as granted by the FCA. That said, you must make certain communications of a factual nature to your workers. If you are in any doubt, please seek professional help from an independent financial adviser.

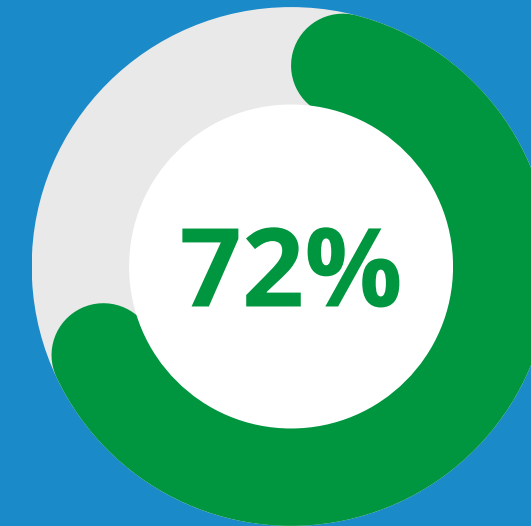
PENSIONS

Key Facts about Pensions



- **Performance** - Pensions can go down and up in value. The performance of the pension is dependent on the choice of the underlying pension fund - which in turn invests in underlying assets. The 'fund manager' will select the underlying investments.
- **Default Funds** - The pension you choose will have a 'default fund' this is the fund that your workers will be enrolled into. It is up to the worker to contact the pension scheme if they feel a fund switch is required - but research shows that most people never change from the default.
- **Choice** - Most pension schemes have a choice of funds for the members to choose between, if they wish to switch away from the default. Some have many options, others only a very short list.
- **Charges** - Pension schemes charge in different ways, some levy fees directly on the employer, all will have an ongoing charge to the member and some might also charge initial fees to the member. It is important to understand the total cost of the pension, to both the employer and the worker/member, and understand who is paying for what.
- **Risk** - All pensions carry some risk, most of this risk is derived from the selection of the underlying investments and therefore the risk will change if the fund is switched.

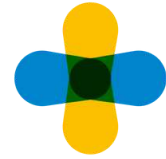
Saving for the future



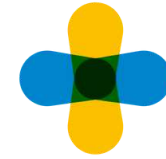
*of employees say it is important that their employer invests their pension sustainably**



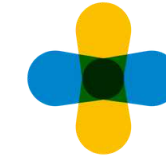
*sustainable pensions and green finance options are now included in the top 5 employee desires from new employees**



Compliance at the lowest cost to the business?



A pension as an attractive benefit for your team?



A balance between these 2 objectives?



What is your buying power?

Understand your buying power as a potential customer. To a greater or lesser extent the various pension providers will be competing for your business. As a general rule, the greater the number of workers you have and the higher the average pension contribution will be, the more options you will have and at increasingly better prices. Your buying power can be used to get a better deal for your business and your workers.



Segment your workers

Are you looking for a single pension scheme for everyone or do you have different segments in your workforce? Perhaps managers / executives / directors that have different pension consideration. You must be careful not to be discriminatory in your segmentation, but it may be OK to have different pension schemes for different classes of worker. You must understand your workers, some must be enrolled into a pension automatically, some only if they ask and for some you are not required to offer a pension. Your payroll provider will be well placed to advise you on this.



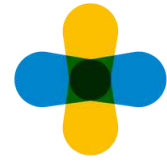
Define pensionable pay

Workplace pension schemes need to satisfy certain conditions. Part of this involves rules around the definition of "pensionable earnings" and the minimum % contributions to the pension based upon these. You can find more information on The Pension Regulator website ([linked here](#)).

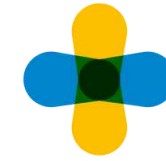


Tax efficiency

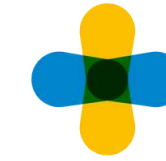
It may be possible to use 'salary exchange' - where the employee gives up salary in return for an increase in pension to make the pension contributions more tax efficient for both the worker and the business. It's not always an option depending on the salary profile of your workers, but it can save the business employers national insurance contributions.



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Does the default fund align to the values of your business?

The pension fund that you choose says something about your business. The Office for National Statistics Lifestyle and Opinion Survey tells us that 75% of people are worried about climate change and 83% of people have made lifestyle changes as a result. A pension is a way of investing for the future, are you happy to be investing in deforestation and new fossil fuel projects? You can choose funds that seek to avoid harms and invest in solutions, but this is not always available as the 'default' choice. As employees are increasingly aware of the impacts of pensions (both positive and negative) the message that your pension fund sends to your stakeholders is becoming increasingly important.



Do you have great fund choice and easily accessible information?

As well as the default fund, there will be other funds that employees could choose to switch to should they wish. Not all schemes offer the same breadth of alternative funds choices, which could be frustrating to employees who want to actively manage their own pension. Linked to this is how easy it is for employees to see the details of their pension, it's performance and their options. If they then need to make changes, such as to the funds they hold or nominated beneficiaries, how easy is that for them to do?



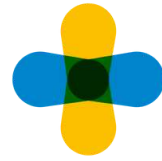
How does the pension fit into an overall benefits strategy?

Your workplace pension will form a central part of the overall benefits that you offer employees. It can be used as the basis for increased employee financial education and engagement if this is part of your strategy. Depending upon the scheme provider, it may be that supplementary services, such as financial wellbeing support, are provided free of charge.

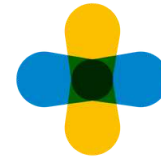


How would this pension match up with employee expectations?

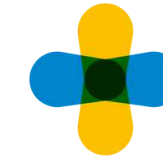
For your existing employees, they may have specific expectations of your workplace scheme that could be incorporated. When it comes to employee retention and attraction, do you know the nature of the pensions that your competitors offer? This could be an opportunity to further differentiate yourself as an employer.



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Making the most of your available budget

You should establish how much you are prepared to spend in providing your workplace pension. This will be both in terms of costs to set up and to administer the scheme, as well as the level of employer contributions. Depending upon this, there may be limits on what you are able to incorporate into your scheme. It's also important to consider the costs of the pension to the employees, in the form of charges incurred -are they reasonable?



Supporting your wider business goals

Your workplace pension can be a means to support a business goal such as improving employee attraction and retention. It may also offer you the opportunity to support other business goals where you can use it to demonstrate the Mission/Values of your company. For example, the incorporation of sustainable investment funds as the default for your pension is you "walking the talk" regarding your sustainability credentials.



Communications are key to ROI

Having taken time and resources to implement your workplace pension, it's important to then communicate clearly to your employees what this benefit provides for them. Their engagement underpins the positive impact that this can have upon their perception of you as their employer.



Ensuring a suitable administrative burden

Establishing and then maintaining your workplace scheme will require some of your time, but clearly you'll want to minimise this. How much you can will depend upon the processes and support offered by the scheme providers. This support can differ quite considerably during the implementation phase from a nominated contact to walk you through everything to a fully online process. It's also important to consider the relationship the pension provider has with your payroll provider and whether they have a good track record of working together.

The market place

For auto-enrolment workbased pension schemes we can divide the market place into 2 broad categories

Master Trust Schemes

Master trusts are one size fits all solutions. They typically offer good value for money for small employers but with limited fund options or ability to customise to your requirements ([hyperlinks below](#)).



Contract Based Schemes

Offered by life companies, are a more bespoke or comprehensive pension offering, these can be either more expensive or cheaper than master trust schemes depending on the size of your organisation and the average contributions expected ([hyperlinks below](#)).



Free resources

You can find crib sheets and further resources to help you when selecting your workplace scheme here:

switchfootwealth.co.uk/business





Thank you!

Important

Switchfoot Wealth Limited is an appointed representative of Sense Network Limited which is authorised and regulated by the Financial Conduct Authority.

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Your capital is at risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028)

Workplace Pensions are regulated by The Pensions Regulator





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