The Options Workplace Pension Trust

Workplace Pensions explained

What is a Workplace Pension?

Automatic Enrolment was introduced in 2012 as a way of encouraging us to save for later life. It is government legislation which requires every UK based employer to put their eligible workers into a qualifying workplace pension scheme.

Only workers earning more than £10,000, who are aged between 22 and State Pension age, will be automatically enrolled into a workplace pension by their employers. But if you earn less, you still have the right to join the workplace pension, and you might still be entitled to pension contributions from your employer.

There are lots of benefits of being in a Workplace Pension. You receive contributions from your employer on top of your salary as well as receiving tax relief on the contributions you put in.

Options look after your money, investing it across a range of stocks and shares and other assets so it grows for when you are ready to take it out.

Generally, you can start accessing the money in the pension scheme from the age of 55 – however, it's important to remember that the earlier you draw your pension, the lower the benefits will be, and you may need the benefits from your pension for longer.

What is a Master Trust?

The Options Workplace Pension Trust (OWPT) is a Master Trust. This is an occupational pension scheme that provides money purchase benefits (sometimes also called Defined Contribution or just DC) for multiple, unconnected employers.

In 2019 Master Trust authorisation was introduced by the Pensions Regulator to raise standards for the 14 million members saving into them. Master trusts were given 6 months to demonstrate that they met the required standards across five key areas:

- Demonstrating the people running the scheme were fit & proper
- The master trust is financially sustainable
- The funder of the scheme could support it
- The master trust has adequate systems and processes in place
- A continuity strategy was in place

OWPT (Options) received Authorisation on 25 September 2019 and appear on the Pensions Regulator list of approved Master Trusts. About half of the Master Trusts which originally existed have not gone on to gain approval, but the scheme members have transferred to an approved scheme.

How much should I contribute?

Under Automatic enrolment legislation, for those eligible jobholders who meet the criteria, a minimum of 8% of qualifying earnings must be paid into a workplace pension scheme. The employer is obliged to pay in 3% which means you must pay 5% – though both parties can pay in more.

Qualifying earnings are the earnings your pension contributions are usually based on if you contribute to a pension scheme.

They include your:

- Salary (including furlough pay)
- wages
- overtime
- bonuses and commission
- statutory sick pay
- any statutory pay received during paternity, maternity, adoption or any other kind of family leave.

Some employers may use a different earnings basis though – usually called pensionable earnings or total earnings.

How much should I contribute? (Continued)

So how much do you contribute to your pension?

Qualifying earnings are based on pay between a minimum of £6,240 and a maximum of £50,000, therefore the contributions you and your employer make will be calculated based on this range (up to a maximum of your total pay if less than £50,000). These are the figures for the 2020/21 tax year and are reviewed every year by the government. Qualifying earnings are generally based on the amount between the upper and lower level earning thresholds, and are also referred to as 'banded earnings'.

With a workplace pension, contributing a small percentage of your earnings over time brings you the benefit of employer contributions, tax relief and the compound effect of long-term saving. With a traditional savings account, you miss out on these extra contributions and it's unlikely your money would keep up with inflation when interest rates are low.

So while it's ideal if you can start saving into your pension earlier rather than later, contributing regularly into your pension, even if you're fast approaching retirement, is still better than doing nothing.

Tax relief

The Options Workplace Pension Trust uses the net pay arrangement, whereby the employer deducts your pension contributions from gross earnings before tax is calculated. You only pay tax on what's left. This means you get full tax relief; unless you don't normally pay tax, e.g. because, after allowances, you earn less than the starting rate for income tax.

What could I get if I start saving later in life?

You are never too old to start paying pension contributions. As an example, If you start saving at age 55, and your pot has £100 added to it each month (through a combination of you and your employers contributions) then assuming an average growth rate of 3.5% each year after 10 years you could have a pot of £14,343, and if you left this money invested and growth rate continued for another 2 years you could get £1021 more without having to contribute anything else.

It is important to remember that investments can go up or down but over the long term we expect them to grow. It is never too late to start saving but the earlier you start the better your outcomes are likely to be.

Options on leaving employment

If you leave your employer, you have two options:

1. Leave the money you have built up in your retirement pot until you retire. Your funds will remain invested and hopefully grow over time. You can log into your individual member portal to keep updated with how your funds are performing. We will also issue you with an annual benefit statement. It is important to keep us updated with any change of address, change in email address or a change in your personal circumstance.
2. Alternatively, you may wish to transfer to your new employer's pension scheme or another arrangement. Whilst we hope that you will prefer to leave your pension growing with us , if you do wish to transfer, please call our administration team who will be happy to assist.

Transferring pension pots

If you have worked for several other employers, it's likely you may have several pension pots with various pension schemes. You may be able to transfer these existing pots into your pension with us. In some cases, having one larger pension pot rather than lots of small ones may be helpful for you to keep track of, and may reduce the overall charges you may be paying. If you are unsure about transferring, we recommend you speak to an independent financial adviser, details can be found online at sites like www.unbiased.co.uk for example.

We do not charge a fee for you to transfer in funds you have built elsewhere.

Pension Scams

The Pensions Regulator has published material for pension scheme members to alert them to the dangers of 'pension scams', which can occur if a member transfers their benefits to a new pension arrangement that offers the member early access to their pension savings. Unsolicited phone calls, texts or emails about your pension are nearly always scams. Scammers will often claim they are from Pension Wise or other government-backed bodies, however these organisations would never phone or text to offer a pension review.

Therefore, if you have been contacted about your pension and offered any of the following, they are often the hallmarks of a pension scam:

- A free pension review
- Guaranteed or very high returns on an investment
- Low tax or tax free rates
- Exotic sounding and/or overseas investments

In addition, if you are being pressured to sign up quickly, or you think you are being scammed, you should act immediately. You can notify us or if you have doubts about what to do, you can speak to The Pensions Advisory Service (TPAS) for help; their number is 0300 123 1047 and website:

https://www.pensionsadvisoryservice.org.uk/

Expression of wish

If you die whilst you are a member of the pension scheme, it is up to the Trustees to decide who should receive your death benefits – which will likely be the value of the pensions pot you have built up to-date. It is very important when you become a member, or later if you wish to amend, that you inform the Trustees as to who you would like to receive your benefits, should the worse ever happen. The Trustees must follow certain rules when they check for potential beneficiaries after a member's death, but they will always take your nominations into account. It is important you check and if necessary, update these details every few years and especially if your circumstances change (for example you get married, divorced or have children). To record your Expression of Wish a form can be found within the documents section of your online account. You may either print and send to us or complete online.

Contact us

If you wish to contact us, please use one of the following:

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