**Stakeholder Pensions**

Stakeholder pensions were introduced from 6 April 2001 and employer arrangements had to be in place, where required, from 8 October 2001. A stakeholder pension is a type of personal pension and further information is given via the ‘Personal pension’ link in the Learning Centre. However, there are stricter compliance requirements for stakeholder pensions and a limit on charges which is lower than the cost of most other arrangements.

TPR and the FCA monitor compliance requirements.

Up until 1 October 2012, access to a stakeholder pension arrangement had to be offered by any employer with five or more staff, unless it offered an occupational scheme that satisfied certain minimum eligibility criteria, or a group personal pension which met certain standards. The requirement to provide access to a stakeholder pension arrangement was abolished when automatic enrolment was introduced, although employers must continue to deduct and pay across contributions for existing members of a stakeholder scheme.

Before 6 April 2006, tax relief on contributions to a personal pension was limited to a percentage of qualifying earnings. However, when stakeholder pensions were introduced, contributions could be paid up to £3,600 each year without reference to earnings.

Employers are not obliged to contribute to stakeholder pension arrangements.

Employees can be members of both an occupational pension scheme and have a stakeholder pension at the same time (concurrent membership).

Management charges under a stakeholder scheme are restricted to 1.5% during the plan’s first ten years of existence and 1% p.a. thereafter.

Although the trustees or scheme managers determine the range of investment options, they must set a suitable ‘default’ investment option for members who were unable or unwilling to make an investment decision.

This ‘default’ fund must offer a ‘lifestyled’ investment switch so that members’ investments are moved into less volatile asset classes as they approach their chosen retirement age, but only for new members from 6 April 2005.

Stakeholder pension schemes can be used as qualifying pension schemes for automatic enrolment purposes.