



# Promoting pensions to employees

A guide for employers

## **Financial Services Authority**

The FSA is the independent watchdog  
set up by Parliament to regulate  
financial services

## About this guide

As an employer you may have offered your employees a pension scheme. You may want to promote your scheme to them, or you find that they look to you for help. But you may be unsure about what you can do.

This guide tells you what you can do to promote your scheme to your employees. It also tells you how you can give them further help or advice – without needing to be authorised by us (the FSA). It covers stakeholder pension schemes and group personal pension schemes.

This guide does not cover occupational pension schemes. Those schemes are outside our regulatory scope. The Government has confirmed there are no restrictions preventing employers from promoting them to their employees.

This guide is not a definitive or comprehensive statement of the law either under the Financial Services and Markets Act 2000 or elsewhere as it applies to employers and their pension schemes. Nor does it give legal advice.

If you have any questions about the content of this guide, please call our technical helpline on 020 7066 0082, or email: [perimeterguidance@fsa.gov.uk](mailto:perimeterguidance@fsa.gov.uk)

Choosing a pension scheme is one of the most important financial decisions people will take in their working life.

Many employers set up and contribute to pension schemes and will want to promote their schemes to their employees.

Parliament has passed legislation to protect people who invest their money in private pension schemes. As an employer, you need to be confident that what you are doing does not breach the Financial Services and Markets Act 2000 (FSMA).

There are exemptions from the restrictions in FSMA for many employers who want to promote their pension schemes. This means that most employers can promote their schemes without worrying about infringing FSMA or needing to be authorised by us.

You may have some questions about the legislation and how it affects you. For example:

- Q:** *Can I promote my scheme to my employees and encourage them to join it?*
- Q:** *Which schemes are exempt from the restrictions on promotion?*
- Q:** *If I want to give help or advice to my employees, do I need to be authorised by the FSA?*
- Q:** *If my scheme is not exempt, what are the implications?*

Over the next few pages we try to answer questions like these, to help you understand what you can do without breaking the law – and what you can't.

## Freedom to promote your scheme

In general, investments such as personal pensions can be promoted only by those people who are authorised by the FSA or where the promotional material has been signed off by someone authorised by us.

But there is an exemption from these restrictions. Employers who meet certain conditions – listed below – will qualify for the exemption. They can promote their pension schemes to their employees freely, without infringing FSMA or needing to become authorised by us.

Those employers who qualify for the exemption can produce and issue their own promotional material to their employees without needing to get it signed off by someone authorised by us.

We call these communications ‘financial promotions’. They include written documents, as well as promotional information given orally, such as during face-to-face conversations with individual employees or as part of a group presentation.

## Qualifying for the exemption

Most employers offering group personal pensions or stakeholder pension schemes to their employees will qualify for the exemption from the restrictions within FSMA on communicating financial promotions.

To qualify, you must meet all the following conditions:

- You must contribute to the scheme and the first promotion you make to an employee should confirm this. There are no minimum requirements on the size of your contribution, but you must tell each employee in writing what your contribution will be before they join the scheme.

- You must not receive a direct financial benefit from promoting your scheme. So, for example, you must not be paid commission or receive some equivalent financial reward – such as a reduction in motor fleet insurance premiums – if your employees join your pension scheme.
- The promotions are given by you or someone employed directly by you. The exemption does not apply to third parties acting for you, such as pensions administrators where the administration of your scheme has been outsourced.
- In any written promotional material, you must highlight that your employees have the right to seek professional advice from someone regulated by us.

If you do meet all these conditions, it is also a good idea for any employee who promotes your scheme to have sufficient competence, as well as knowledge and experience of the pension scheme. There are no formal accreditation criteria, but you could ask for help in training any relevant employee from the professional helpers of the scheme, such as an insurance company or pensions administrator.

## Advice and FSA authorisation

Besides promoting your scheme to your employees, you might also be thinking about giving advice and other help to your employees on your pension scheme. And you might be wondering whether you need to be authorised by us to do this.

As long as you are not in the business of providing investment advice and do not receive any commercial benefit for helping your employees with their pension options, you do not have to be authorised by us.

A 'commercial benefit' could take several forms – two of the most obvious are if the pension scheme provider paid you commission or you got a reduction in your premiums for insurance policies you have with that provider. But it would not include such things as negotiating special terms for your pension scheme or the indirect benefits to you, as an employer, of having a more satisfied workforce.

Generally, employers are not in the business of giving investment advice and do not receive any commercial benefit for helping their employees with pensions. So in most cases you should be able to help your employees, if you want to do so.

That's the general picture, but employers often ask us the two following questions about needing authorisation by the FSA. The answer to both is straightforward:

**Q:** *Does the fact that I choose a pension scheme for my employees mean that I need to be authorised by the FSA?*

**A:** No, so long as you receive no commercial benefit for choosing the scheme.

**Q:** *I deduct my employees' contributions from their pay and pass them to the scheme provider. Does this mean that I have to be authorised by the FSA?*

**A:** No, so long as you receive no commercial benefit for doing so.

## Further help for your employees

If you want to help your employees with their pension options, you need to be prepared for the questions they might ask.

**Q:** *What if my employees want help with financial questions? For example they might ask:*

- *Should I contract-out of the State Second Pension?*

- *Which of the investment funds on offer under the pension scheme should I choose?*
- *Would I be better off putting my money into something else, such as an ISA?*
- *Is it better to top-up my occupational pension with a stakeholder, an AVC or a personal pension?*
- *Is it a good idea to transfer benefits under my old pension scheme into this scheme?*

Remember – helping your employees does not in itself mean that you have to be authorised by us. You only need to be authorised if you are in the business of giving investment advice and are benefiting commercially for doing so.

However, questions like these are decisions for the individual employee to make based on their financial circumstances.

It's unlikely you will be able to answer these types of questions, and nobody expects you to.

Work on the basis that you can give help, as long as you stick to the facts. The main thing to remember is that you will not know the detail of an individual's financial circumstances or their expectations for the future.

So you are unlikely to be in a position to give personalised advice and should not suggest that you are. If you do, and your employees act on your advice, they might blame you if things do not turn out as they expected.

However, there are other ways you can help:

- Our rules require the scheme provider (or your financial adviser if you used one to set up your scheme) to give certain information to your employees. This includes a 'Key Features Document'.

- The Key Features Document contains all the essential information that people will need to know: for example, on stopping and starting contributions, income tax, death benefits, state pensions and benefits. You will probably find that this information pack will answer most, if not all, of your employees' questions.
- Another simple and safe thing to do with questions like these is to point your employees towards the help and information that is already available from the sources listed on page 5.
- Or you can always suggest that they seek help from professional financial advisers or the pension scheme provider – our leaflet **FSA guide to financial advice** explains how to find an adviser.

### Promoting non-exempt schemes

Even if you do not qualify for the exemption described on page 2, you may still be able to promote your scheme. Some care is needed though.

You may wish to give out your own written material, or discuss the scheme with your employees, individually or in groups.

If you simply stick to giving factual information to help your employees understand what the pension scheme is all about, and avoid promoting the scheme, there should not be a problem.

But if the material or conversations you have seek to promote the scheme or persuade your employees to join, it could be deemed to be a 'financial promotion'.

There are special rules for 'financial promotions' which mean that they must be approved by someone authorised by the FSA, such as your financial adviser or pension provider. It makes no difference if you are not commercially benefiting from the promotional material.

However, the restriction on financial promotions does not apply if you are required by law to offer investment products to your employees.

So, for example, if you employ five or more people and do not offer or contribute to an occupational or group personal pension scheme, you are obliged by law to offer your employees a stakeholder pension scheme. In this instance, any communication you make about the scheme in complying with the law is outside the restriction.

## Sources of help for you and your employees

- *Queries about pensions, other types of investments and financial planning*

If your employees have questions about different types of investments, pension top-ups or annuities, for example, contact our consumer helpline for copies of our free impartial guides:

- Stakeholder pensions and decision trees.
- FSA guide to pensions 1 – starting a pension.
- FSA guide to pensions 2 – reviewing your pensions.
- FSA Factsheet: Retiring soon – what you need to do about your pensions.
- FSA guide to pensions 3: Annuities and income withdrawal.
- Choosing a financial adviser – how Key Facts can help you.
- FSA guide to financial advice.

Telephone 0845 606 1234 and order some copies for your employees.

You and your employees can also access these independent guides and more information on our Consumer website at [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

**Technical Helpline** – if you want extra help on the guidance in this leaflet, please call us on 020 7066 0082.

- *Employee queries*

Your employees can contact the **Pensions Advisory Service Helpline** on 0845 601 2923. The Pensions Advisory Service is an independent organisation providing help with consumers' pension queries.

The **Department for Work and Pensions** (DWP) also publishes a range of free pension guides. You can order copies by ringing 0845 60 60 265. Or you can see what's available by visiting the DWP's website at [www.thepensionservice.gov.uk/](http://www.thepensionservice.gov.uk/)

- *Employer pension responsibilities*

The **Pensions Regulator** should be your first port of call. You can write to it at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

Phone: 0870 606 3636  
Fax: 0870 241 1144

Email:  
[customersupport@thepensionsregulator.gov.uk](mailto:customersupport@thepensionsregulator.gov.uk)

The Pensions Regulator website homepage is at [www.thepensionsregulator.gov.uk/](http://www.thepensionsregulator.gov.uk/)

For information about stakeholder pensions on the Pensions Regulator website go to [www.thepensionsregulator.gov.uk/stakeholder Pensions/](http://www.thepensionsregulator.gov.uk/stakeholderPensions/)

Or you can find information about stakeholder schemes on the **Department for Work and Pensions** website at [www.dwp.gov.uk/](http://www.dwp.gov.uk/)