CASE STUDY

Many people might regard a workplace pension scheme as something that just runs and runs, and nothing goes wrong with it. This can be true in many cases but, in more instances than one might think, things do go wrong, and, where the errors don't get seen for quite some time, the consequences can be far reaching.

We have recently become involved with a difficult case where the scheme has been running for more than five years. The issue is one of the application of tax relief; the incorrect tax relief method has been applied since inception of the scheme.

The consequences of this are that the contributions made for the members of the scheme are significantly lower than they should have been, with the employees materially disadvantaged.

The employees, upon becoming aware of this problem, could of course take issue with the employer possibly to the extent of taking legal action.

One of the ways of avoiding such things happening is to ensure the scheme is monitored and reviewed correctly.

At AG we have such a process in place, we call it our Governance Service. It is an MOT type check on pension schemes to ensure all is well. As well as operational efficiency, it also reports on the investment performance of the scheme, so that any disappointing returns over time will be visible to the employer and enable them to do something about it.

Going back to our problem case, correcting it will mean re-running payroll from scheme start and recalculating all the pension contributions on the correct basis. This is a major undertaking,

Had there been a review and monitoring process on this scheme, the problem would have been seen much earlier – and saved the employer a lot of time and trouble.

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