



# Salary Sacrifice

# My Bupa LifeSight Plan contributions

Pension contributions paid into My Bupa LifeSight Plan (the “Plan”) are paid via salary sacrifice.

## What is Salary sacrifice?

Salary Sacrifice takes advantage of the National Insurance savings that can be made if Bupa reduces your salary by an amount equal to the contributions you would otherwise have paid into the Plan. In return, Bupa will pay that amount into the Plan on your behalf.

## How salary sacrifice works in brief

Salary sacrifice is an especially tax-efficient way for you to make pension contributions to the Plan. It involves changing the amount of salary that you are entitled to receive. Your salary will be reduced by an amount which exactly equals the contributions you choose to pay into the Plan. In return, Bupa pays that amount into the Plan on your behalf.

The result is that the total amount of contributions being paid into the Plan will be the same as if you were still continuing to pay those contributions in the traditional way.

As your salary is reduced, you will pay less in tax and national insurance contributions (NICs) making it tax efficient.

## Change to your terms and conditions

Paying into a pension arrangement via Salary Sacrifice is a change to your terms and conditions of employment. This is because it has the effect of reducing your salary by an amount that exactly equals the contributions you would otherwise pay to the Plan. In return, Bupa pay's that amount into the Plan on your behalf. You will be deemed to have consented to this change when you join the Plan.

Salary related benefits including pay reviews, bonuses and contractual maternity pay, along with other benefits such as pension contributions and life insurance, will continue to be based on your salary (your base pay before any salary sacrifice reduction).

## Other things you need to know

Nearly all members will benefit by participating in salary sacrifice. However, there may be some members who may not benefit, including those who are receiving State benefits (e.g. Statutory Sick Pay) or some who are a member of more than one salary sacrifice arrangement. For this reason, if you earn below a minimum level of pay (known as the National Minimum Wage), you will not be eligible to participate via salary sacrifice.

You don't need to monitor your own earnings against this level. An automatic assessment of your earnings against this minimum level is done by payroll each time Bupa pays you. Whilst your earnings are above this level, Bupa will continue to pay your contributions via salary sacrifice (unless you decide otherwise). If your earnings drop below this level, Bupa will automatically deduct contributions in the traditional way. If subsequently your pay increases above this level, salary sacrifice would automatically resume.

If you elect to pay large Additional Voluntary Contributions (AVCs) it will not be possible to pay this contribution by salary sacrifice if it means your remaining pay would be below the National Minimum Wage. In this instance Bupa will continue to pay your core contributions via salary sacrifice but will automatically deduct your chosen AVCs in the traditional way (meaning that you will receive income tax relief but not the National Insurance saving on your AVCs).



### So, what will it actually cost me?

An example is shown below for a member with a basic salary of £25,000.

The member contributes £750 a year (3% of basic salary) and Bupa contributes an additional £1,500 a year (6% of basic salary) to their pension scheme.

A gross pension contribution of £750 is equal to £600 net of basic rate tax for the member.

In this example, the total contribution is paid by the company and the employee's take-home pay is increased by £90 a year.

	Before Salary Sacrifice	After Salary Sacrifice
Basic salary	£25,000	£24,250
Taxable income	£12,500	£11,750
Tax Payable	£2,500	£2,350
NI Payable	£1,860	£1,770
Net Salary	£20,640	£20,130
Pension payment	£600 (net of basic rate tax)	£0 (paid directly by the company on your behalf)
<b>Take-home income</b>	<b>£20,040</b>	<b>£20,130</b>
<b>Total Pension Contribution</b> (Employer, Employee and tax relief)	<b>£2,250</b>	<b>£2,250</b>

This example is for illustrative purposes only, is based on tax and NI rates in 2020/21 and assumes a personal allowance for income tax of £12,500. Figures are shown to the nearest pound.

# Frequently Asked Questions



## 1. How will Salary Sacrifice affect future increases on my Base Pay and benefits linked to Base Pay?

Pay increases and salary-related benefits (e.g. pension contributions and Life Insurance lump sums) will continue to be calculated based on your pre-sacrifice level of Base Pay.

## 2. How will salary sacrifice affect any redundancy pay calculation?

Salary sacrifice will not have any effect on any payments that may become due.

## 3. Will taking part affect a reference for a mortgage, rental property or a loan?

No, Bupa will confirm the amount of your pre-sacrifice salary, which is your salary before any adjustment under salary sacrifice.

## 4. How will salary sacrifice affect me if I transfer from full-time to part-time?

Your salary sacrifice adjustment will be recalculated to reflect your change of Pensionable Salary, based on your revised working hours.

## 5. What happens if I go on maternity leave? Will I need to do anything?

No, you will remain in salary sacrifice (unless your pay drops below the National Minimum Wage – see question 7 below).

## 6. Will my Sick Pay or Statutory Sick Pay be affected?

No. During periods where you are in receipt of Statutory Sick Pay only or if your pension salary sacrifice adjustment would bring your salary below the National Minimum Wage, you will be automatically opted out of salary sacrifice.

## 7. What happens if my pay falls below the National Minimum Wage?

If your earnings drop below this level, Bupa will automatically revert to deducting contributions in the traditional way. If subsequently your pay increases above this level, salary sacrifice would automatically resume.

## 8. Can I pay Additional Voluntary Contributions (AVCs) by salary sacrifice?

Yes. AVCs will automatically be paid by salary sacrifice (unless you decide otherwise – see Q10). However, if you elect to pay a large amount of AVCs and this brings your remaining pay below the level of the National Minimum Wage in any given pay period, Bupa will automatically deduct your AVCs in the traditional way.

## 9. What happens to my pension if I leave Bupa?

No more pension contributions would be paid via Bupa as you would no longer be receiving pay from Bupa. Membership via salary sacrifice will not change any of the pension options available to you on leaving.

## 10. How do I opt-out of paying my pension contributions via salary sacrifice?

If you don't want to pay pension contributions via salary sacrifice, please raise a support ticket to Pensions by clicking on the pink question mark.

