

# Questions and Answers

## Introduction

In September 2010, we introduced salary sacrifice for members of the Barratt Group Pension & Life Assurance Scheme (the Scheme). As a member of the Scheme, salary sacrifice offers you an efficient way to make your pension contributions – it allows you to increase your take home pay without reducing the contributions made on your behalf to the Scheme.

In this document, we have tried to answer any questions you might have about how salary sacrifice works. If, after reading this document, you still have any questions, please contact the Pension Scheme Secretary at [pensions@barrattplc.co.uk](mailto:pensions@barrattplc.co.uk).

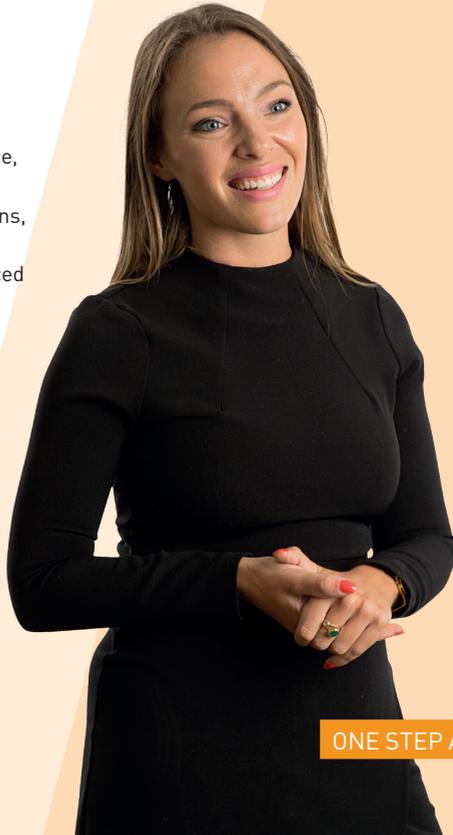
We can't give you financial advice so if you are unsure of what to do, you should speak to a regulated financial adviser. A list of regulated advisers can be found at [unbiased.co.uk](http://unbiased.co.uk).

If you want to participate in salary sacrifice, you don't have to do anything. On receipt of your pension application, your pension contributions will automatically be made by salary sacrifice.

If you don't want to participate in salary sacrifice, you need to complete an opt-out form (which is available on request by emailing [pensions@barrattplc.co.uk](mailto:pensions@barrattplc.co.uk)) and return it to the Pension Scheme Secretary.

## Why was salary sacrifice introduced?

We introduced salary sacrifice for pension contributions because it allows you and the Company to save money. Under salary sacrifice, you agree for your salary to be reduced by an amount equivalent to your pension contributions, the Company then pays pension contributions into the Scheme. Because your salary is reduced by the amount you give up for pension contributions, you and the Company pay less National Insurance contributions and your take home pay increases.



# Pension contributions by salary sacrifice

## How much could I save?

The amount you save depends on how much you earn and how much you pay into the Scheme.

For the tax year 2019/20, if you earn between £8,632 and £50,000, the amount you save is 12% of your annual pension contribution. If you earn above £50,000 you save 2% of your annual pension contribution.

The table opposite gives examples of the increase in take home pay from a 5% pension contribution under salary sacrifice for a range of salaries.

**Annual increase in take home pay based on a 5% contribution under salary sacrifice**

| Annual salary |      |
|---------------|------|
| £20,000       | £120 |
| £30,000       | £180 |
| £40,000       | £240 |
| £50,000*      | £50  |
| £60,000*      | £60  |

\* The lower saving at these salaries is due to the employee National Insurance rate reducing to 2% on salary earned over £50,000 (based on HMRC rates for the tax year 2019/20).

## Will salary sacrifice affect the amount of income tax I pay?

Salary sacrifice does not affect the amount of income tax you pay. All pension contributions are free of income tax regardless of salary sacrifice. The standard annual allowance for pension contributions to benefit from tax relief is £40,000 for the 2019/20 tax year. A new tapered annual allowance for individuals with income, including the value of pension contributions, over £150,000 was introduced from April 2016.

Further information on the Annual Allowance can be found within the Definitions section of the Guide to the BGP&LAS.

## How much will the Company save?

The Company will save National Insurance contributions at the current rate on any pay you sacrifice for pension contributions.

## What happens to the savings the Company makes from salary sacrifice?

The Company's savings will be used to help offset the costs of running the Scheme and my Barratt Benefits.

## Will it affect any Company benefits?

Your Company benefits are not affected. Although your salary is reduced by the amount of pension contributions you make, all your salary related benefits (e.g. the death in service lump sum benefit) will be based on your salary before it is reduced – we call this Notional Salary.

Salary review and bonuses will also be based on Notional Salary.

# Pension contributions by salary sacrifice

## **Are there any situations when salary sacrifice is not suitable?**

Salary sacrifice is attractive for most employees because it increases their take home pay.

You are not allowed to exchange pay to a level that would put you below the National Minimum Wage (£14,014 a year for a 35 hour week if you are over 21 years old as of April 2019 – if you work part-time the amount is paid on a pro-rata basis). If by participating in salary sacrifice you would reduce your pay below the Lower Earnings Limit (£6,136 a year for the 2019/20 tax year), you would give up valuable state benefits which may not be in your best interests. Anyone with earnings close to the limits won't participate.

## **Do I have to choose whether to use salary sacrifice for pension contributions?**

No, your contributions will automatically be made under salary sacrifice upon joining the Scheme unless you are excluded for one of the reasons described above or you tell us you do not want to by completing an opt-out form. You can normally apply to change your decision to be in salary sacrifice every 12 months. You may also be able to change your decision if you have a defined 'lifestyle' event such as a marriage, divorce or birth/death of a dependant. Please note any decision to participate or alter your participation in salary sacrifice is subject to approval by the Company.

## **When my contributions are made under salary sacrifice will my contract of employment change?**

Yes your contract of employment changes – your contractual pay reduces and in return the Company will provide additional employer pension contributions to the same value as would be paid if you chose to opt-out.

## **What happens if I leave the Scheme?**

For most employees, participating in salary sacrifice would not impact their options on leaving the Scheme. If you leave the Scheme within 30 days of joining you will be offered a refund of your notional pension contributions (i.e. the contributions you would have paid if the salary sacrifice arrangement was not in place). The refund will be subject to tax and NI at the appropriate rates.

## **Will it affect the amount I can borrow?**

When applying to borrow money from a financial institution such as a mortgage company, you will often be asked for your salary. To ensure the maximum amount you can borrow is not reduced you should tell them your notional salary. The lender should then take this salary into account when working out if you can afford the loan.

## **Will it affect Statutory Maternity and Statutory Redundancy Pay?**

Statutory Maternity Pay (SMP) and Statutory Redundancy Pay (SRP) are based on your actual earnings and payments can sometimes be reduced under salary sacrifice. Please note that for anyone whose maternity or redundancy pay would be reduced due to participation in salary sacrifice the Company would make up the shortfall in payments so you would not lose out.

# Pension contributions by salary sacrifice

## **As I will be paying less National Insurance, will this affect the amount of State pension I receive at retirement?**

It will have no effect on your Basic State Pension.

If, after salary sacrifice, your salary is above £50,000 or below £6,136 (tax year 2019/20) then salary sacrifice will have no effect on your State Second Pension (S2P).

From April 2016, the New State Pension replaced the Basic State Pension and the State Second Pension providing for a single flat-rate weekly payment based on the number of years of National Insurance contributions rather than the level of earnings and contributions. Accordingly, concerns about salary sacrifice affecting the state pension will not arise after April 2016. However, if you reached State Pension Age prior to 6 April 2016 you will still be entitled to the Basic State Pension, supplemented by the State Second Pension and will be subject to the above.

## **Should I participate if I am over State Pension Age and don't pay National Insurance?**

If you are over State Pension Age it will make no difference to you whether or not you participate in salary sacrifice. You will not make a saving in National Insurance as you don't make any payments. The Company still pays National Insurance and will be able to make a saving if you continue to participate in salary sacrifice.

## **Will it affect Working Tax Credit or Child Tax Credit?**

Other means tested benefits such as Working Tax Credit and Child Tax Credit would not be adversely impacted by participating in salary sacrifice. Rules for claiming benefits are based on wider personal circumstances than just salary. For further information on tax credits you can contact the HM Revenue and Customs on **0345 300 3900**.

## **Will it affect Student Loans or any other payments?**

Any employees with outstanding Student Loans should not be adversely affected by participating in salary sacrifice. The Student Loans Company usually measures ability to make repayments based on employees' P60 earnings. As this figure would not increase due to salary sacrifice you should not be adversely affected. If you need further information on this matter you may wish to contact the Student Loans Company Limited on **0300 100 0611**.

If you have a County Court Judgement (CCJ) or anything similar then no changes are usually made to these as a result of salary sacrifice. However, where the Order is explicit about the definition of pay to be used, then the impact of salary sacrifice should be noted to those parties to the Order. The Company suggests you seek legal advice if you are unsure on this matter.