

**inspired**



**Alpha Plus Group  
Workplace Pension Scheme**

# **SALARY EXCHANGE**

**April 2026**

**Salary Exchange Frequently Asked Questions**





# Frequently Asked Questions

Once you are enrolled into our workplace pension, we will, where possible, use Pension Salary Exchange as the default mechanism for the Inspired Education Group Personal Pension Plan, because it is tax efficient and both members and the Company make National Insurance contribution savings.

## What does Salary Exchange mean?

Salary Exchange is where employees 'exchange' their salary in return for an employer pension contribution. Your exchanged contribution is deducted from your salary **before tax**, therefore you do not pay income tax or National Insurance (NI) on this portion; nor does your employer.

## Why might Salary Exchange be beneficial to me?

When making your pension contributions via Salary Exchange, for the majority of employees, your **take-home pay will be higher** than if you make contributions directly from your pay. This is because you will pay less National Insurance (NI), as does your employer.

## What happens to my basic salary?

This will be reduced by an amount equivalent to your employee pension contributions, but your **full salary will be used for all pay review purposes**, and to calculate other benefits that Inspired Education may provide to you. Your full salary will also be shown on your payslip as normal.

## What happens to my pension contributions?

Inspired Education will contribute the combined amount as an employer contribution. This will **include the amount you contribute via Salary Exchange, plus Inspired Education's standard contribution**.

## Can you confirm my benefits will still be based on my reference salary?

Your reference salary, or salary before your Salary Exchange has been deducted, **will be used** to calculate other benefits provided by Inspired Education, pension contributions and sick pay.

## Will my reference salary be used for mortgage or loan applications?

Yes - any letters sent by Inspired Education to mortgage lenders or financial institutions will provide details of your earnings **before the salary exchange** deductions.

Most, if not all, lenders will be familiar with this arrangement and should accept your gross salary for borrowing or loan purposes.

## How will maternity, paternity or adoption pay be affected by Salary Exchange?

If you participate in Salary Exchange, the amount of salary used to work out your NI is reduced from the Reference Salary level to the Taxable Salary level. This may affect your entitlement to these benefits. For example, Statutory Maternity Pay entitlement would be lost if average weekly earnings (for the purpose of SMP entitlement) were to drop below the Lower Earnings Limit (LEL) for the eight weeks leading up to the "qualifying week".

However, if you do meet the qualifying salary threshold to participate in Salary Exchange your regular employee and employer pension contributions will still be paid in full for weeks 1-39 at the same rate as prior to your leave starting.

Any entitlement to Statutory Adoption Pay or Statutory Paternity Pay may also be lost if your salary drops below the LEL. This is one reason why the Company has set a minimum salary limit for full- or part-time employees to participate in Salary Exchange.

Statutory Maternity or Adoption Pay is not payable for weeks 40-52 of your leave. All pension contributions may stop during this time, but you can make good any missing contributions when you return to work with a single payment or via a payment plan (though not through Salary Exchange).

You can find out about Statutory Maternity Pay at [www.gov.uk/maternity-pay-leave](http://www.gov.uk/maternity-pay-leave), or about the rules



on Statutory Adoption Pay at [www.gov.uk/adoption-pay-leave](http://www.gov.uk/adoption-pay-leave).

Flexible Shared Parental Leave is available to couples having a baby or going through the adoption process.

Visit [www.gov.uk/sharedparental-leave-and-pay](http://www.gov.uk/sharedparental-leave-and-pay) for more information. You may be eligible for one or two weeks' Paternity Leave, and you can find out more about Statutory Paternity Pay at [www.gov.uk/paternity-pay-leave](http://www.gov.uk/paternity-pay-leave).

## How will my State Pension entitlement be affected?

The Government introduced a new, single tier, State Pension from 6th April 2016. Anyone reaching State Pension Age (SPA) from this date will receive the New State Pension. Your right to the State Pension should not be affected as long as your pay after Salary Exchange remains above the threshold for this and other State Benefits and you continue to pay sufficient National Insurance contributions.

## How will Salary Exchange Affect Statutory Sick Pay?

The total amounts of Statutory Sick Pay you are paid will be unaffected as long as your average weekly earnings exceed the Lower Earnings Limit (LEL). These payments comprise a fixed statutory element determined by law.

## Will Salary Exchange affect Universal Credit/Child Tax Credit Payments?

Salary Exchange reduces your taxable cash earnings. So your entitlement to tax credits could increase as a result of you participating in Salary Exchange.

If you are in doubt, you can call the [HM Revenue & Customs \(HMRC\) tax credit helpline on 0345 300 3900](https://www.gov.uk/government/organisations/hm-revenue-customs).

## Will Salary Exchange affect my Student Loan repayments?

Employees with Student Loan repayments could find that a reduction in their taxable basic salary will take them below the earnings threshold, which could potentially delay repayments from starting

or being completed.

Check the Gov.uk website for the current thresholds for this tax year.

## How do I join the pension scheme and make contributions via salary exchange?

Subject to you meeting pension Auto-Enrolment requirements or otherwise joining the Inspired Education Group Personal Pension Plan, you will automatically be treated as making contributions via Salary Exchange, unless you opt out or we advise we do not consider you to be eligible.

## How do I opt out of salary exchange?

If you wish to opt out of pension Salary Exchange, please complete the Salary Exchange Opt Out form within 30 days of joining the pension scheme or during the annual Salary Exchange window.

## If I want to contribute more than my standard percentage of basic salary into my pension, can this additional amount be made through Salary Exchange?

Yes, **we will automatically treat all personal contributions as qualifying through Salary Exchange unless we agree with you otherwise**. You should check your reduced salary does not negatively impact your eligibility for State Benefits or drop below national minimum wage limits.

## I am a higher rate taxpayer - should I still be claiming my additional tax relief on contributions?

As noted, you can choose to sacrifice any percentage of your basic salary through Salary Exchange. As a result, you will **no longer need to claim higher or additional rate tax relief on this contribution**.

As your basic salary is being reduced, you will pay less tax and National Insurance, so effectively are obtaining tax relief directly through payroll.

## How Flexible is the arrangement?

Salary Exchange will be applied automatically on an opt-out basis. While you remain employed with Inspired Education, you will generally only be able to opt out or cease your participation each May. However, you can amend the percentage you contribute at any time throughout the year.

The reduction in your basic salary will continue until your next opportunity to opt out. You may be able to opt out more frequently if you experience a **lifestyle event**. Lifestyle events are often described as



circumstances which cause a significant change in your financial circumstances, such as:

- Birth of a child/adoption
- Marriage/Civil Partnership
- Divorce
- Death of dependent/partner
- Period of unpaid leave

Discuss with your HR department if you are unsure as to whether you are eligible to opt out of the arrangement.

## What salary figure will show on my P60?

Your P60 will only show your earnings that are subject to tax, which will decrease with Salary Exchange. Your pay slip will show your reference salary.

## Who wouldn't benefit from Salary Exchange?

Part-time and lower earners may face disadvantages with Salary Exchange, as it **could reduce their salary below the National Minimum Wage**. Additionally, ensure your salary remains above the threshold for certain state benefits. For eligibility details, visit the Gov.uk website.

If you are beyond state pension age, Salary Exchange provides fewer savings since National Insurance is no longer applicable.

Consider consulting a financial planner to determine if Salary Exchange suits your situation.

## What if HM Revenue & Customs changes legislation in the future to stop Salary Exchange?

The government currently supports Salary Exchange for pension contributions and therefore those people who currently contribute in this way or wish to start doing so will benefit from the usual tax and NI savings.

If however, future changes are made to Salary Exchange or Pensions legislation we will endeavour to inform you as quickly as possible of any impacts on your own position whilst still a member of the

scheme.

The government has indicated that it intends to make some changes to Pension Salary Exchange from April 2029; we will work with our pension advisers over the ensuing period and will update you on the changes and effects these may have in due course.

## Examples of salary exchange and contribution structures can be found below.

### Scottish Widows App


Using the link below, you can download the Scottish Widows app and find more information about its features, including viewing and managing your pensions, investments, and other financial products, as well as planning tools to help you understand and prepare for your financial future.

[Download our app | Scottish Widows](#)


## Considering Financial Advice?

Contact our Pension Scheme Advisers, who are Chartered Financial Planners, for more information. Please note services may incur a fee which will not be payable by Inspired Education.

### Bowmore Financial Planning

 01275 462 469

 enquiries@bowmorefp.com

 Farleigh House, Farleigh Court, Old Weston Road, Flax Bourton, Bristol, BS48 1UR



# Frequently Asked Questions

## EXAMPLES OF SALARY EXCHANGE IN ACTION Based on an Employee Contribution of 5%, Employer Contribution of 7% Basic Rate Taxpayer

	Before Salary Exchange	After Salary Exchange	Before Salary Exchange	After Salary Exchange
Annual Salary	<b>£30,000.00</b>	£30,000.00	<b>£40,000.00</b>	£40,000.00
Salary Exchanged	-	£1,500.00	-	£2,000.00
Salary Post-Exchange	£30,000.00	£28,500.00	£40,000.00	£38,000.00
Your Pension Contribution	£1,200.00	Nil-	£1,600.00	Nil-
	(net deduction from salary)		(net deduction from salary)	
Tax Due	£3,486.00	£3,186.00	£5,486.00	£5,086.00
Nat Insurance Contribution	£1,394.40	£1,274.40	£2,194.40	£2,034.40
Take Home Pay	<b>£23,919.60</b>	<b>£24,039.60</b>	<b>£30,719.60</b>	<b>£30,879.60</b>
Gross Total Contribution	£3,600	£3,600	£4,800	£4,800
	(Including tax relief from HMRC claimed by provider)		(Including tax relief from HMRC claimed by provider)	
Total Contribution of Salary	12%	12%	12%	12%

The above calculations are based on a standard Personal Allowance and tax code of 1257L



# Frequently Asked Questions

## EXAMPLES OF SALARY EXCHANGE IN ACTION

*Based on an Employee Contribution of 5%, Employer Contribution of 7%  
Higher Rate Taxpayer*

	Before Salary Exchange	After Salary Exchange	Before Salary Exchange	After Salary Exchange
Annual Salary	<b>£60,000.00</b>	£60,000.00	<b>£80,000.00</b>	£80,000.00
Salary Exchanged	-	£3,000.00	-	£4,000.00
Salary Post-Exchange	£60,000.00	£57,000.00	£80,000.00	£76,000.00
Your Pension Contribution	£2,400.00	Nil-	£3,200.00	Nil-
	(net deduction from salary)		(net deduction from salary)	
Tax Due	£11,431.60	£10,231.60	£19,431.60	£17,831.60
Nat Insurance Contribution	£3,210.60	£3,150.60	£3,610.60	£3,530.60
Take Home Pay	<b>£42,957.80</b>	<b>£43,617.80</b>	<b>£53,757.80</b>	<b>£54,637.80</b>
Gross Total Contribution	£7,200	£7,200	£9,600	£9,600
	(Including tax relief from HMRC claimed by provider)		(Including tax relief from HMRC claimed by provider)	
Total Contribution of Salary	12%	12%	12%	12%

The above calculations are based on a standard Personal Allowance and tax code of 1257L

