



Legal & General - WorkSave Plan

SALARY **EXCHANGE**

2024/2025

Salary Exchange Frequently Asked Questions



Frequently Asked Questions

Once you are enrolled into your worksave pension, you are entitled to make contributions via **Salary Exchange** should you wish to. Salary Exchange is a method of how your pension contributions are deducted from your salary, and differs to the conventional method whereby contributions are taken from your pay after tax. This booklet explains how the arrangement works so that you can decide whether it is right for you.

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, neither 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. You also pay less income tax.

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 Campden BRI may provide to you. Your full salary will also be shown on your payslip as normal.

What happens to my pension contributions?

Campden BRI will contribute the combined amount as an employer contribution. This will include the % of your basic salary you exchange and the company's usual contribution of 4% (or matching equivalent up to 10%).

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 benefits paid by Campden BRI, pension contributions and sick pay.

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

Yes - any letters sent by Campden BRI 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 pay be affected by Salary Exchange?

Entitlement to state benefits such as maternity pay **could be reduced** should you choose to pay via Salary Exchange as it is based on your earnings subject to National Insurance contributions. As such you can choose to 'opt-out' of Salary Exchange before going on maternity leave to ensure your Statutory Maternity pay is based on your full reference salary instead of your salary post-exchange.

Going on maternity is a 'lifestyle event' (see later on in this document). If you opt out, you will go back to contributing to the pension via net pay and your maternity pay will be based on your reference salary.

Should you wish to opt back in to Salary Exchange on your return, you can do so.

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.



Frequently Asked Questions

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**.

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.

The thresholds for 2024/25 are:

- £24,990 per annum under loan plan 1 (students who commenced study before September 2012)
- £27,295 per annum under loan plan 2

**Figures may differ for Scotland & EU*

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

If you wish to join the scheme and make contributions via Salary Exchange, please return the **contract amendment form** and return it to HR.

If I want to pay more than 4% of my basic salary into my pension account, can this be via Salary Exchange?

Yes, you can contribute more than the basic 4% into your pension via Salary Exchange. Campden BRI will **match your contribution up to 10%**.

Campden BRI will invite you to amend your contribution level twice each year, however, please contact HR if you are experiencing a lifestyle event (see next column) or if you wish to do this outside of the biannual window.

How Flexible is the arrangement?

Campden BRI will invite you to opt-in or amend contribution levels twice a year (April & December). However, if you are experiencing a lifestyle event or need an urgent amendment to your pension, please contact HR who will endeavour to honour your request if possible.

If contributing via Salary Exchange, 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 or amend your arrangement.

I am a higher rate taxpayer paying contributions into the scheme - should I still be claiming my additional tax relief?

As noted, you can choose to sacrifice a personal contribution of 4% (or more) through Salary Exchange for a higher employer contribution. As a result, you will **no longer** need to claim higher or additional rate tax relief from HMRC for this pension arrangement.

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

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 payslip will show your reference salary.



Frequently Asked Questions

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

The government announced that the income tax advantages of some employee benefit arrangements offered through Salary Exchange would end for anyone newly joining a scheme in April 2017.

However, Salary Exchange in connection with pension contributions was not included as part of their review and therefore those 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.

Who wouldn't benefit from Salary Exchange?

Those employees who may be significantly better off by not joining the Salary Exchange scheme will be notified separately. People typically on **lower earnings do not benefit** from this arrangement as it may impact them negatively.

For example, for someone on a lower salary who opts in for Salary Exchange, it may take them below the National Minimum Wage of £11.44 per hour (aged 21+). Also, you'll need to ensure that your salary is still above the threshold for certain state benefits. If you are concerned about being eligible for state benefits you can visit the Gov.uk website for more information (<https://www.gov.uk/>).

For those people who work beyond state pension age, Salary Exchange does not offer as many savings as National Insurance payments does not affect such workers.

You may find it useful to speak to a financial planner if you need specific advice about whether Salary Exchange would suit you. To speak with a Chartered Financial Planner, you can contact our Pension Scheme Advisers. Please note they may charge for their services. Contact details here:

Financial Illustrations of Salary Exchange

Illustrations assume a standard tax code of 1257L and the following contribution basis: 4% employee, 4% Campden BRI

Example using a Salary of £30,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£30,000.00	£30,000.00
Salary Sacrificed	-	-£1,200.00
Salary Post-Exchange	£30,000.00	£28,800.00
Your Pension Contribution	-£960.00	-
	(Net deduction from salary)	
Tax Due	-£3,486.00	-£3,246.00
National Insurance (NI) Contribution	-£1,394.40	-£1,298.40
Annual Takehome Pay	£24,159.60	£24,255.60
Gross Total Contribution	£2,400.00	£2,400.00
	(Including tax relief from HMRC claimed by provider)	
Total Contribution of Salary	8.0%	8.0%

Further illustrations below...

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Illustrations assume a standard tax code of 1257L and the following contribution basis: 6% employee, 6% Campden BRI

Example using a Salary of £30,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£30,000.00	£30,000.00
Salary Sacrificed	-	-£1,800.00
Salary Post-Exchange	£30,000.00	£28,200.00
Your Pension Contribution	-£1,440.00 (Net deduction from salary)	-
Tax Due	-£3,486.00	-£3,126.00
National Insurance (NI) Contribution	-£1,394.40	-£1,250.40
Annual Takehome Pay	£23,679.60	£23,823.60
Gross Total Contribution	£3,600.00 (Including tax relief from HMRC claimed by provider)	£3,600.00
Total Contribution of Salary	12.0%	12.0%

Further Illustrations of Salary Exchange

Further or additional rate tax payers may be eligible for further tax relief when contributing via the “Net Pay” method which **is not included in these illustrations**. It is the individuals responsibility to claim for further tax relief through personal self assessment and is not the responsibility of Campden BRI.

By contributing via Salary Exchange, further or additional rate tax-payers get tax relief through payroll and therefore eradicates the need to claim for additional tax relief through self assessment.

Illustrations assume a standard tax code of 1257L and the following contribution basis: 4% employee, 4% Campden BRI

Example using a Salary of £60,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£60,000.00	£60,000.00
Salary Sacrificed	-	-£2,400.00
Salary Post-Exchange	£60,000.00	£57,600.00
Your Pension Contribution	-£1,920.00 (Net deduction from salary)	-
Tax Due	-£11,432.00	-£10,472.00
National Insurance (NI) Contribution	-£3,210.60	-£3,162.60
Annual Takehome Pay	£43,437.40	£43,965.40
Gross Total Contribution	£4,800.00 (Including tax relief from HMRC claimed by provider)	£4,800.00
Total Contribution of Salary	8.0%	8.0%

Illustrations assume a standard tax code of 1257L and the following contribution basis: 6% employee, 6% Campden BRI

Example using a Salary of £60,000 per year		
	Before Salary Exchange	After Salary Exchange
Annual Salary	£60,000.00	£60,000.00
Salary Sacrificed	-	-£3,600.00
Salary Post-Exchange	£60,000.00	£56,400.00
Your Pension Contribution	-£2,880.00 (Net deduction from salary)	-
Tax Due	-£11,432.00	-£9,992.00
National Insurance (NI) Contribution	-£3,210.60	-£3,138.60
Annual Takehome Pay	£42,477.40	£43,269.40
Gross Total Contribution	£7,200.00 (Including tax relief from HMRC claimed by provider)	£7,200.00
Total Contribution of Salary	12.00%	12.00%

