



ateb Benefits

# SMART Pensions

ateb



April 2023



## This guide will tell you everything you need to know about SMART Pensions.

### What is ateb SMART Pensions?

It is a scheme whereby the Group offers you a new way of paying your regular contribution to the company pension scheme. These arrangements do not change the pension scheme that you are in. They are simply a new way of paying your regular contribution to the company's pension scheme which is designed to save you and your employer money.

SMART Pensions can be used for the Social Housing Pension Scheme Defined Contributions (DC) pension.

### How do SMART Pensions work?

If you are a member of the company pension scheme, the Group will pay your regular pension contributions for you. In exchange, you “give up” an amount of your gross pay equal to the amount of your regular pension contributions.

The income tax that you pay stays the same but the amount of your National Insurance contribution (and the National Insurance contribution that your employer makes for you) goes down. As a result of paying a reduced National Insurance contribution, your net “take home” pay goes up by a small amount.

### How do I benefit from this?

The example payslips below provide an illustration as to how you can benefit from this arrangement each month. The examples assume that you are a full time employee and your hourly rate is above the National Minimum Wage.

#### SHPS DC Scheme EE 5%, ER 5%

Salary £20,000/12 = £1,666.66

Standard Tax Code of C1257L and Standard rate of employee NI contributions at 12%

Monthly pay:

	£		£
Basic pay	1,666.66	PAYE Tax	107.07
		National Insurance	74.24
		EE Pension	83.33
Total gross pay	1,666.66	Net pay	1,402.02
		ER Pension contribution	83.33



- Based on 5% pension contribution
- Based on an Annual Pensionable Salary of £20,000
- Tax code C1257L

Salary £20,000/12 = £1,666.66

Standard Tax Code of C1257L and Standard rate of employee NI contributions at 12%

Monthly pay:

	£		£
Basic pay	1,666.66	PAYE Tax	107.07
Deduct Smart Pension (Salary sacrifice)	83.33	National Insurance	64.24
Total gross pay	1,583.33	Net pay	1,412.02
		ER Pension contribution	83.33

Difference in take home pay is £10 which is the saving in Employee NI contributions



- Amount going into the pension fund £83.33
- Employee NIC saving = £10 pm

## Why does participating in ateb SMART result in reduced national insurance contributions but not a reduction in tax?

Employees' pension contributions paid into an HMRC approved pension plan already attract income tax relief. Transferring the contribution from employee to employer will not therefore affect income tax payable.

Employee earnings are subject to NI, whereas no NI is payable on employer contributions into an approved pension plan. By reducing gross pay, both you and the Group pay NI on a smaller amount, whilst the total contribution to the Scheme is not reduced.

## Will the Group benefit?

Yes as there will be employer NIC savings due to the ateb SMART Pension arrangements.



## How do I join?

If you are eligible for auto enrolment, you will be automatically enrolled into the Group's pension scheme, but you will not be enrolled into SMART. You will need to opt-in to the scheme if you wish to participate in SMART, contact the Payroll, Treasury & Insurance Coordinator - Suzanne Hobday for more information. Participation in ateb SMART Pensions constitutes a change in your terms and conditions of employment. These changes are covered in a separate document.

## Are there any circumstances where it may not be advantageous for me to join?

The only people who should not take part in ateb SMART Pensions are:

- People earning the National Minimum Wage (because it is illegal to be paid less than the National Minimum Wage)
- People who earn less than the Lower Earnings Limit (£123 a week in 2023/24) need to check how taking part in ateb SMART Pension will affect their entitlement to pay-related benefits (including Basic State Pension, Jobseekers Allowance, Statutory Sick Pay and so on). The Group has set a Pay Protection Limit of £150 per week in order to ensure that ateb SMART does not allow your earnings to fall below the Lower Earnings Limit.
- People who have reached their State Pension age because they are no longer paying National Insurance and therefore there is no benefit to them

If your circumstances change so that your earnings move close to the National Minimum Wage you must notify the People Team of the changes immediately.

## How long do I have to make my decision?

If you want to join SMART pensions you will need to complete the opt in form which you can obtain from Payroll, Treasury & Insurance Coordinator - Suzanne Hobday. Once this has been processed the People Team will confirm this variation to your terms and conditions.

## How frequently can I change my decision?

Once you are in ateb SMART Pensions you can choose to opt out at the beginning of any new pay period. If you do not inform us of any change in your decision your arrangements will continue year on year.



There may be exceptional circumstances in the course of a year, which may affect your decision. These are defined as “lifestyle changes” and are defined as:

- Pregnancy
- Birth or adoption of a child
- Commencement of long term sickness absence
- Commencement of maternity leave
- Changes in working hours e.g. full time to part time

Should any of these situations arise and you wish to change your decision then you should contact the People Team as soon as possible.

## **What happens if the pension contribution rate changes?**

SHPS will notify you directly if the pension contribution rates change. ateb SMART will be adjusted accordingly.

## **What are the effects of ateb SMART Pensions?**

Pay and related benefits. All of your pay and pay-related benefits (including bonus, overtime, holiday pay, life assurance and so on) and any future pay rises will continue to be based on your old level of pay before you joined ateb SMART Pensions.

Statutory Maternity Pay (SMP) and Statutory Paternity Pay (SPP) is based on your average pay subject to Class 1 NICs over a fixed period of time before you begin to receive it.

Entitlement to some State benefits, such as incapacity benefit and jobseekers allowance, are based on whether you have been credited with making National Insurance Contributions (i.e. your earnings must exceed the Lower Earnings Limit (LEL) of £6,396 for 2023/24). Therefore, in order to protect you, we have set a Pay Protection Limit (PPL) to ensure that participation in ateb SMART Pension does not allow employees earnings to fall below the LEL. The PPL will be reviewed each year and for 2023/24 this will be £7,800, (£150 x 52) per annum. Therefore, for employees earning over this amount per annum, ateb SMART Pension will not affect your State benefits such as: Tax Credits; Jobseekers allowance.

Child Support assessments and court orders are usually based on your net pay which will increase as a result of ateb SMART Pensions. You should contact the CSA, the Citizens Advice Bureau or seek further professional advice if you need more information.

Student loan repayments are based on gross pay which reduces as a result of ateb SMART Pensions, so your repayment period may increase.



Mortgage reference letters will be based on your basic pay and there should be no impact on your loan applications.

Tax credits will not be adversely affected by ateb SMART Pension.

### **Will my additional voluntary contributions, (“AVCs”) be affected?**

No if you pay AVCs you will continue to pay these as normal.

### **What happens if I go on sick leave?**

If you go on sick leave you will continue to be included in ateb SMART Pensions, until your earnings reach the Pay Protection Limit.

### **What happens if I go on maternity leave?**

Under the pension scheme rules, for the first 39 weeks of maternity leave you pay contributions based on the actual pay you receive and the employer will pay their normal contribution plus any shortfall in your contribution. However, as SMP cannot be sacrificed the employer would need to pay the total normal contribution (employee + employer) if you are in SMART Pensions. After the first 39 weeks of maternity leave no pension contributions are payable unless you are receiving pay.

### **How much will my take home pay increase by?**

The increase in your take home pay depends on your current pay and normal pension contributions. Some examples based on normal contributions are shown in the tables below:

Defined contribution scheme	
Basic salary (per year)	Annual increase in take home pay £ 5% Pension Contribution
£20,000	120.00
£25,000	144.00
£30,000	180.00
£40,000	240.00
£50,000	300.00
£60,000	60.00



## How will ateb SMART Pensions be shown on my payslip?

Your payslip will continue to show your basic pay and you will then see a reduction from your basic pay for ateb SMART Pension. (Please see the example payslips shown earlier on in this document).

## Who has been consulted?

We have consulted with our tax advisers and TPT Retirement Solutions Ltd who administer the SHPS DC Pension Scheme. A number of other large organisations have also successfully introduced SMART Pensions to deliver savings to their employees and their business.

## How long will smart pension last?

Salary sacrifice pension arrangements have been in the market place for a significant number of years and for many employers have become the preferred method for funding employer pension schemes.

The Group intends to run SMART Pension for as long as either legislation allows us to do so, or it is commercially prudent to continue. Not surprisingly, in light of this, the Group reserves the right at its absolute discretion to withdraw ateb SMART Pension, with or without notice, in the future.

You will then revert back to your current contribution basis (i.e. pre ateb SMART Pension basis) and your basic salary will no longer be adjusted. You will then make pension contributions to your pension arrangement as you are doing at present.

**You will not have to pay back any of the benefits that you have received.**

## Will my employment contract/terms and conditions change?

Although the pension scheme is only changing from a contributory plan to effectively a non-contributory plan, agreeing to join the scheme does entail a change in your terms and conditions of employment, (see changes to terms and conditions sheet).

The proposed amendment does not alter any other terms of your contract of employment.

You are foregoing part of your pay, to instead be directed into your pension scheme as an employer contribution, and in return the Group becomes responsible for all



normal contributions into your pension scheme. If you don't opt-out of the proposals in writing before the date the new scheme is implemented, you will be deemed to have consented to the arrangement and its proposals.

### **Do I need to inform HM Revenue and Customs?**

No, the Group will notify HMRC of the introduction of ateb SMART Pensions and therefore you will not need to take any action.

### **I still want to find out more....**

If you still have any questions then please contact the People Team or Payroll, Treasury & Insurance Coordinator - Suzanne Hobday

# **IMPORTANT ..**

**N.B. These notes are for guidance only. It will remain your responsibility to determine how SMART pensions will affect you individually and to consider whether or not it is appropriate for you to participate in ateb SMART Pensions. We recommend that you seek professional advice from an accountant or independent financial advisor if you would like further information.**