

# **G4S PERSONAL PENSION PLAN**

## **GUIDE TO SALARY SACRIFICE FOR PENSION CONTRIBUTIONS**

**(not for employees of G4S Technology Ltd)**

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March 2023

## 1. What is salary sacrifice for pensions?

Salary sacrifice for pensions is an alternative way of paying pension contributions as part of your overall pay and benefits package. Instead of paying employee pension contributions you agree to sacrifice from your gross basic salary an amount equal to those contributions. In return, G4S increase their employer pension contributions by the amount of salary you have sacrificed. This enables contributions to be made to the G4S Personal Pension Plan (G4S PPP) in a way that will save both you and G4S National Insurance Contributions (NICs). Your take home pay is increased as a consequence.

If you pay higher rate income tax, this will also mean that you get tax relief at source and do not have to reclaim higher rate tax via your personal Self Assessment tax returns.

It is important to note, however, that salary sacrifice does involve a change in your contractual entitlement to gross pay and so is a consideration for the purposes of National Minimum Wage/National Living Wage rates and certain state benefits. Sections 4 to 6 below explain further.

Please note that G4S currently operates salary sacrifice arrangements for pensions on an 'opt out' basis for all G4S pension schemes. This means employees will be automatically included in a salary sacrifice arrangement unless they actively choose to opt out.

There will be an annual 'window' from 1 to 31 March available to make changes in your regular pension contributions rates including Annual Voluntary Contributions (AVCs). For the salary sacrifice to be effective for tax and NICs purposes, however, we require you to 'lock in' your choices for a period of 12 months. This time frame can be varied if you experience 'lifestyle' changes affecting your financial position. Further comments are provided at sections 5 and 6 below.

When you take part in a salary sacrifice arrangement for your pension contributions, we maintain a 'Notional Salary' for you, which is your gross basic pay without salary sacrifice. All your pay and benefits are then calculated using your Notional Salary, including the calculation of bonuses, overtime and any pay-related allowances, as well as your future (gross) pay increases.

The total pension contributions going into the G4S PPP are the same whether or not you take part in salary sacrifice and your PPP benefits are unaffected. What is involved is an alternative method of structuring your pay and benefits package. Following a change in tax legislation with effect from 6 April 2017, salary sacrifice for pensions is one of the very few salary sacrifice arrangements which remain effective and which are accepted by HM Revenue & Customs (HMRC) as saving NICs.

Aviva, the company that operates the G4S Personal Pension Plan, reclaims basic rate income tax on employee contributions and credits it to your account. Under salary sacrifice this won't be necessary, but the total pension contribution being invested will be the same. As already indicated, if you are a higher rate tax payer, under a salary sacrifice arrangement you will no longer need to claim higher rate tax relief from HMRC.

## **2. What are the impacts on other G4S benefits?**

Salary sacrifice does not affect any other salary-related payments or benefits that you receive from G4S, such as salary increases, bonuses, overtime, pay-related allowances and death in service benefits. These will be based on your **'Notional Salary'** which is your annual salary before salary sacrifice for pension contributions. Your pensionable salary will be based on your Notional Salary.

Your Notional Salary will also be the amount used in any personal official letters issued by G4S on your behalf such as mortgage letters, loan applications or job references.

## **3. What about Additional Voluntary Contributions?**

Additional Voluntary contributions (AVCs) (over and above the standard member contributions) will also be included in the salary sacrifice arrangement.

## **4. Who might not benefit from salary sacrifice?**

Although most employees will benefit from salary sacrifice there are some who may not for various reasons. These include:

- Employees who earn less than the Lower Earnings Limit for National Insurance (£6,396 for the 2023/24 tax year). This is because you would not make any savings and this may affect your entitlement to various state benefits, including contributory Jobseekers Allowance, State Retirement Pension, Statutory Maternity Pay (SMP) and Maternity Allowance.
- Although G4S does not pay below the National Minimum Wage (NMW) or National Living Wage (NLW), there may be employees whose pay could fall below the NMW by participating in salary sacrifice for pensions or for other benefits such as the G4S childcare voucher scheme, which continues to operate in the same way as salary sacrifice for the G4S PPP. Any such employees will not be able to participate, as it is illegal to reduce an employee's pay below the appropriate NMW/NLW.
- Members who work less than 16 hours a week may find their Job Seekers Allowance is affected. If this is the case for you, you will need to decide whether this is an issue for you and whether or not you wish to opt out of the salary sacrifice

arrangements. Employees in this situation may need to seek further advice from a suitably qualified financial advisor.

- If you are in receipt of other State benefits, you must check with the relevant authority to explore any impact there may be on those benefits.

If your earnings currently or in the future fall below the appropriate NMW or NLW, your salary sacrifice will automatically stop. If your earnings fall below the Primary Threshold (£12,570 for the 2023/24 tax year) you will need to consider whether to opt out of the scheme and advise Payroll accordingly.

## **5. What if I don't want to participate in the salary sacrifice arrangement?**

Almost all G4S employees will benefit under salary sacrifice and you will automatically be opted into the arrangements.

However, there may be a few employees for whom it is not advantageous, or whom we must legally exclude from the arrangements, as outlined in section 4 above.

If you fall into the first 2 categories in section 4, you will need to be excluded from salary sacrifice and we will continue to pay your pension contributions as a combination of employee and employer contributions.

If you don't want to participate in salary sacrifice for pensions, you need to complete an opt out form which is included with this guide at appendix 1. Please note that by completing and returning this form you will have opted out of salary sacrifice but not out of the G4S PPP itself. This guide seeks to provide as much information as we reasonably can, but if you are unsure about whether or not you should participate in salary sacrifice you should seek your own independent financial advice.

If you decide to participate in the salary sacrifice scheme and then change your mind, or your circumstances change at a future date, you will only be able to opt out between 1 and 31 March each year or if you experience a "lifestyle event".

Please refer to section 7.21 for a further explanation of what is regarded as a "lifestyle event".

## **6. Change in terms and conditions of employment**

As previously outlined, by participating in salary sacrifice you are agreeing to a variation in the terms and conditions of your employment with effect from the date of commencement of your employment or the date when you join a G4S pension scheme (as appropriate). Subject to our comments regarding Notional Salary, when taking part in a pensions salary sacrifice arrangement you agree to give up entitlement to

salary equivalent to the employee pension contributions you would otherwise have made, in favour of an equivalent increase in employer pension contributions.

You will be deemed to have accepted the change if you do not complete and return an opt out form.

For the salary sacrifice to be effective for tax and NICs purposes, we require you to 'lock in' your choices for a period of at least 12 months. This time frame can be varied if you experience 'lifestyle' changes substantially affecting your financial position.

For G4S purposes lifestyle changes include:

Pay increase/ Personal financial situation improved/ increased focus on pension
Financial hardship
Personal event such as marriage/civil partnership, divorce, birth or adoption of a child/death of a close relative
Pregnancy or partner being pregnant
Material change to you or your partner's financial circumstances, such as redundancy of partner, change to working hours
start or end of long term absence
Other change that impacts the financial situation of your household

It is important however to remember that salary sacrifice is designed so that most employees who currently contribute to the G4S pension schemes will benefit from participating in them.

## 7. Frequently Asked Questions

This section covers some of the questions that may arise in relation to the introduction of salary sacrifice and how the arrangement will affect you. Where appropriate, it will refer to earlier sections.

### 7.1 How does salary sacrifice work?

This is covered under Section 1.

G4S will pay to the G4S PPP an amount equal to your former gross employee pension contribution together with the employer pension contribution previously paid.

Your contractual gross basic salary will be reduced by the gross amount that you used to pay into the G4S PPP (i.e. including the basic rate tax reclaimed by Aviva). As a result, your take home pay will increase because you are paying less National Insurance Contribution (NIC). This is because the employee pension contributions that you previously paid were subject to NIC whereas the employer contributions that will be paid in the future are not. G4S will also make NIC savings in the same way.

The overall level of contributions to G4S PPP remains unchanged.

### 7.2 How much will I save?

The increase in your take home pay under salary sacrifice depends on how much salary you sacrifice to be paid into your pension plan and whether you are a lower or higher rate tax payer.

For higher rate tax payers, the rate of saving is lower because the marginal rate of NIC is lower. However, there is still a saving and there is the further advantage that there is no need to reclaim the higher rate income tax.

The table below shows the amount of saving at different levels of contribution for both 20% and 40% tax payers. These are calculated using the NI rates as at 6 April 2023.

Annual Pension Contribution	Annual NI Savings 20% Tax Payer	Annual NI Savings 40% (higher rate) Tax Payer
£250.00	£30.00	£5.00
£350.00	£42.00	£7.00
£500.00	£60.00	£10.00
£1,000.00	£120.00	£20.00

### **7.3 Will my earnings used for Pension and Life Assurance stay the same?**

Yes, the earnings used will stay the same, but in future we will calculate it using your 'Notional Salary', which is the same as your Pensionable Salary before any salary sacrifice.

### **7.4 What if I am not eligible for salary sacrifice?**

If you are not eligible for salary sacrifice everything will remain as it is now.

### **7.5 What if I am promoted to a higher job grade that doesn't require member contributions?**

If you choose not to contribute voluntary contributions, your notional salary and actual salary will be the same. If you decide to pay voluntary contributions, these can be paid under a salary sacrifice arrangement.

### **7.6 When will the amount of monthly salary I have sacrificed be paid into my pension account?**

The total employer contribution, including the amount you have sacrificed, will be paid no later than the 19<sup>th</sup> of the month after the relevant pay month (for example the contribution for the month of January will be paid no later than 19 February). In reality this is normally paid before the 19<sup>th</sup> of the month and this date remains unchanged.

### **7.7 What about Death in Service Lump Sum?**

This is based on Pensionable Salary (see 7.3 above) and so will not change.

### **7.8 Will salary sacrifice affect the total amount paid into my pension plan?**

No, exactly the same total level of contribution will be invested in your pension plan.

### **7.9 What is the maximum amount that can be paid into my pension plan?**

As at April 2023, the maximum amount of pension savings (whether in the form of employer or employee contributions), known as the "Annual Allowance", is your total earnings or £40k pa if higher. However, there are provisions to carry forward the previous three years' unused allowance. There is an "intervening year" rule which means employees can only carry forward unused allowance if it has not been used up in a subsequent year. For tax year 23/24, if your "threshold income" is more than £200,000 and your "adjusted income" is over £240,000 you will be subject to a tapered annual allowance, which will be less than £40k pa. If contributions exceed your annual allowance, after any carry forward, you will be subject to a tax charge. Please note that it is your responsibility to ensure you don't exceed your annual allowance.

### **7.10 How will salary sacrifice be shown on my payslip?**

There will be a new item on your payslip under "Payments" to show that you are participating in pension salary sacrifice.



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

No, there will be no overall change to your tax position as a result of salary sacrifice. The basic rate tax you pay on pension contributions is currently reclaimed on your behalf by Aviva and if you are a higher rate tax payer you are currently able to obtain higher rate relief under self assessment through your tax code. Under salary sacrifice you will automatically receive tax relief at your marginal tax rate based on the amount of gross salary sacrificed.

#### ***Higher rate tax payers***

Aviva can only claim back 20% tax and so if you are a higher rate tax payer you are allowed to claim extra tax relief on pension contributions by requesting through HMRC extra relief on your tax allowance which in turn increases your tax code. This can also be claimed through self assessment.

Under salary sacrifice, you will receive full tax relief through your pay and therefore there will be **no need** to reclaim the higher tax rate relief each year.

**If, as a higher rate tax payer, your tax code has been adjusted by HMRC to allow for your personal pension contribution, it is advised that you contact HMRC to readjust your tax code; otherwise you may incur a tax liability in the future.**

### **7.12 I am over the State retirement age and therefore do not pay NIC. Can I participate in salary sacrifice?**

If you are over your State retirement age you will not pay NIC on your earnings and as a result you will not benefit from any NIC savings through participating in salary sacrifice, but you may still participate in salary sacrifice and will continue to be included in the arrangement unless you choose to opt out. You will be no worse off or better off through continuing to participate in salary sacrifice and if you pay higher rate tax you will not need to worry about readjusting it for pension contributions.

### **7.13 I pay NIC at the reduced married women's NIC rate. Will I still benefit from NIC savings?**

If you pay NIC at the reduced rate for married women and widows (applicable to those employees who made this election prior to 12 May 1977), you pay NIC at a reduced rate of 5.85% (rather than 12%) on earnings between £9,568 and £50,284 a year (tax year 21/22).

You will still make NIC savings from participating in salary sacrifice but your savings will be based on these rates rather than the amounts referred to elsewhere in this guide

#### **7.14 Will salary sacrifice affect Maternity Pay?**

Yes, the amount of pension sacrificed could reduce the amount of statutory maternity/adoption pay calculated if you are in the scheme during the period when this is calculated. It will not affect any occupational Maternity/adoption pay.

However as pregnancy/adoption is considered a lifestyle event, you would have an opportunity to opt out of the salary sacrifice arrangement and re-join the normal pension plan but you would need to inform payroll at the same time as you advise your Manager of your dates of leave.

During paid statutory leave any statutory payments must be paid in full regardless of any contractual arrangements and cannot be reduced because of salary sacrifice.

#### **7.15 What if I am asking for a reference for a mortgage or a loan?**

We will advise lenders of the amount of your Notional Salary (i.e. your salary before salary sacrifice).

#### **7.16 Will salary sacrifice impact on my Tax Credits?**

Participation in salary sacrifice will increase your net take home pay and may have an impact on any HMRC Tax Credits.

#### **7.17 Will salary sacrifice have any impact on my payments to the Child Support Agency (CSA)?**

Child maintenance payments to the CSA are calculated with reference to your net income, i.e. your pay after the deduction of pension contributions, tax and NIC. Under salary sacrifice your net income increases because you are paying less NIC and your child maintenance payments may therefore increase as a result.

#### **7.18 Will my student loan repayments be affected?**

If you are repaying a student loan taken out with the Student Loans Company, your student loan repayments may be reduced slightly as a result of participating in salary sacrifice. This is because your repayments are calculated based on your gross taxable earnings, which will be reduced under salary sacrifice.

#### **7.19 Do I have to do anything to participate, e.g. sign forms?**

No, unless you have previously opted out, you will automatically be included.

#### **7.20 What if I do not want to participate in salary sacrifice?**

Please complete the opt out form in Appendix 1.

Please note that this form will only opt you out of salary sacrifice and not out of the pension scheme itself.

## 7.21 What if I change my mind or my circumstances change at a future date?

Once you are in salary sacrifice arrangement, you will only be able to opt out between 1 and 31 March each year unless you experience a “lifestyle event” such as:

Pay increase/ Personal financial situation improved/ increased focus on pension
Financial hardship
Personal event such as marriage/civil partnership, divorce, birth or adoption of a child/death of a close relative
Pregnancy or partner being pregnant
Material change to you or your partner’s financial circumstances, such as redundancy of partner, change to working hours
start or end of long term absence
Other change that impacts the financial situation of your household

In these cases you may, subject to the agreement of G4S, opt out of salary sacrifice by contacting the Payroll Manager. If you decide to opt out of salary sacrifice you will have the opportunity to review your decision and elect to participate in salary sacrifice arrangement at a later date, by contacting the Payroll Manager.

## 7.22 How long will the new arrangements last?

### ***Opting out***

If you wish to opt out without the experience of a “lifestyle event” as described above in 7.21, then you will have to wait for the annual renewal cycle to commence again. The renewal date is 1 April and your request to opt out should be received between 1 and 31 March.

### ***Staying in***

It is planned that salary sacrifice will operate indefinitely. However, G4S reserves the right to withdraw salary sacrifice if, for example, tax, National Insurance or pension law or practice changes, or it is no longer viable for G4S to operate salary sacrifice.

## 7.23 Who can I speak to if I have any specific technical questions relating to pensions and salary sacrifice?

Please refer any questions to your HR contact.

## 8. TERMS USED

### PENSION SALARY SACRIFICE

The giving up of part of your contractual gross basic salary equal to the value of what would otherwise have been your employee pension contribution, as well as any voluntary contributions you choose to pay. In exchange for this, G4S pay the same amount direct to your G4S pension plan.

### NOTIONAL SALARY

This is your contractual gross basic salary before the application of salary sacrifice and is the amount on which all salary related benefits and increases are based.

### PENSIONABLE SALARY

This is calculated in line with your individual terms and conditions as at 6<sup>th</sup> April each year. It is used for the calculation of your pension contribution and your death in service benefit. For members of the auto enrolment section, their Pensionable Salary for pension purposes can vary each month.

### AVIVA

Aviva operate the G4S Personal Pension Plan. Pension contributions are paid to them and invested in your personal pension plan on your behalf.

### LIFESTYLE EVENT

This is a change in your personal circumstances substantially affecting your financial situation, including:

Pay increase/ Personal financial situation improved/ increased focus on pension
Financial hardship
Personal event such as marriage/civil partnership, divorce, birth or adoption of a child/death of a close relative
Pregnancy or partner being pregnant
Material change to you or your partner's financial circumstances, such as redundancy of partner, change to working hours
start or end of long term absence
Other change that impacts the financial situation of your household

## Appendix 1

To: Payroll

From: \_\_\_\_\_

National Insurance Number \_\_\_\_\_

Payroll Number \_\_\_\_\_ / \_\_\_\_\_

Date: \_\_\_\_\_

### **G4S Personal Pension Plan – salary sacrifice and member contributions**

I confirm that I do ***NOT*** wish to participate in the salary sacrifice arrangements and will pay the required member's contribution from my income after tax and national insurance deductions.

Yours sincerely

\_\_\_\_\_

Please email form to:

[FSSCRegionalpayroll@uk.g4s.com](mailto:FSSCRegionalpayroll@uk.g4s.com)