

Scheme Contribution Changes: Q&As



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Salary Sacrifice

“Will I be better off from taking part in salary sacrifice?”

Yes, we are expecting almost all Westpac employees to be better off.

There are certain situations where someone may not benefit:

- Employees over State Pension Age do not pay National Insurance Contributions – so the saving available through salary sacrifice would not apply to them.
- If employees decide to work part-time or change their working pattern so their earnings are relatively low:
 - They could not take part if it meant their earnings fell below the National Minimum Wage or National Living Wage.
 - Their pay could go below the level needed to pay for some of their State benefits (for example, statutory maternity pay).

“What do I have to do to take part?”

You don't need to take any action. We will start salary sacrifice for you automatically from the first month, the November payroll.

“Do I have to take part?”

We think that almost all employees – with very few exceptions – are likely to benefit from taking part in salary sacrifice due to saving National Insurance Contributions. However, it is not compulsory, and if there is any reason you would rather not take part, you can 'opt out' of it. Please notify Human Resources if you would like to opt-out by completing the 2017 UK Staff Superannuation Scheme Options form on the SharePoint site [via this link](#).

If you start taking part in salary sacrifice, and then decide to opt out at a later date, we will take you out of the arrangement at the earliest possible opportunity. Depending upon the date the form is completed this could be the month after we receive your form due to payroll cut off dates.

(Please consider taking financial advice if you are not sure whether or not taking part would be to your advantage.)

“Does taking part affect my benefits at the Bank?”

No – it only changes the way your pension contributions are paid. We use your 'reference salary' – that is, your higher earnings figure before the 'sacrifice' – to work out any other benefits you receive from Westpac. For example:

- bonus
- pay rise
- any other pay allowances
- overtime
- death benefits

We also supply your reference salary if you need a quotation for a loan or mortgage application.

“What happens if I am off work temporarily?”

Currently your pension contributions would generally continue as normal if you are absent from work for a while, and still being paid (for example, on maternity leave). As a result, the Bank would continue to pay the salary sacrifice contributions into the Scheme on your behalf.

Whilst on unpaid leave, e.g. a career break, the Bank would not usually continue to make pension contributions.

“Will taking part affect my State benefits?”

Certain State benefits – such as your State pension, or statutory maternity or sick pay – are linked to National Insurance Contributions. This means that there may be an impact on State benefits for a small number of people if the National Insurance Contributions they pay goes down.

“Will I still be able to change my contribution rate?”

Yes. You can still pay more than 2.5% if you want to, but your 'additional voluntary contributions' will now be paid by the Bank on your behalf through salary sacrifice.

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“Do other companies have salary sacrifice?”

Yes – most large companies use it for employee pension contributions.

“What if HM Revenue & Customs changes the rules?”

There have been some changes to the salary sacrifice rules since it was first introduced, but these do not affect its use for pension contributions. However, if this were to change in future, we would of course take any steps needed to comply with the measures, and make sure members would still continue to benefit from taking part.

New Bank Contributions

“Why increase contribution rates for some members?”

The Bank has decided to introduce a flat 10.5% contribution rate for all new joiners from 1 October 2017. As a result, any members currently receiving a **lower** contribution rate from the Bank will start to receive 10.5% contributions from the same date. Members already receiving a **higher** contribution rate (due to the current age-dependent contribution levels) will not be affected – the higher rate will continue.

“Do I have to pay more?”

No – the minimum contribution rate for members remains at 2.5% of your Salary. You can increase the rate if you want to (much like you can decide to pay additional voluntary contributions now) – please contact the administrators.

Annual allowance options

“I’m a little confused by the two income tests – what if I earn between £110,000 and £150,000?”

The test relating to the £110,000 figure (‘threshold income’) applies first. Broadly, if your taxable income – remember, this includes salary plus other income, such as rents or investments – plus any salary sacrifice pension contributions is below this level, your annual allowance will **not** be tapered. If it is above this level, the next test applies.

If your ‘adjusted income’ – broadly, your ‘threshold income’ plus pension contributions from the Bank (excluding salary sacrifice contributions) – is over £150,000, your annual allowance will be tapered.

Exchanging Bank contributions

“Why are only some members eligible?”

Our overall aim is to help members make the most of the tax advantages available through the Scheme. The best way to achieve this is to make contributions into your Member Account wherever possible, so that you benefit from tax relief on them, as well as the National Insurance Contributions saving through salary sacrifice.

For this reason, we are only making this option available for members who are definitely impacted by the annual allowance, or who are at an earnings level where their annual allowance is likely to be ‘tapered’.

“Why can’t we exchange the Bank’s whole 10.5% contribution?”

The Bank wants to ensure that individuals are saving for a minimum level of benefits and ensure that its auto-enrolment requirements are met.

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Cash supplement after opting out of the Scheme

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For this reason, we are only making this option available for members who already have lifetime allowance protection in place, or who have benefits worth 90% of the lifetime allowance or more (that is, £900,000).

“How will you work out the cash supplement?”

This discretionary cash supplement will be 10.5% of your Salary (we can pay the whole amount because you would no longer be in the Scheme) less an amount to reflect the extra National Insurance Contributions the Bank would have to pay.

As a result, the actual supplement you would receive will be 9.22% of Salary. You would then pay tax and National Insurance Contributions on it along with the rest of your pay.

“Where can I elect the pension options that are being made available?”

Please use the 2017 UK Staff Superannuation Scheme Options' form on the SharePoint which can be found [here](#).

