An introduction to Smart Pensions for members of the Group Personal Pension Scheme (GPPS)
Introducing Smart Pensions 2
How does it work? 2
Who should or should not participate? 4
Are my benefits affected? 4
Are my State benefits affected? 4
Will Smart Pensions affect my State second pension (S2P)? 5
Do I have to join Smart Pensions? 5
Frequently asked questions 6
Further information 7
Introducing Smart Pensions

Smart Pensions is an easy way to make contributions to the Group Personal Pension Plan (GPPS) which can help make the cost of saving for retirement a little more affordable to you and the BBC.

Currently, contributions for GPPS members are deducted from your net pay and paid directly to Prudential (scheme administrators). You enjoy tax relief on your contributions (basic rate only), but you do not see any additional saving in National Insurance (NI) contributions.

Smart Pensions offers the opportunity for you and the BBC to save some NI contributions.

Please read on to find out more about this important initiative and what it might mean for you.

How does it work?

This is how Smart Pensions works:

- Your own pension contributions will stop.
- Your basic salary (contractual pay) is reduced by the gross amount you currently pay into the GPPS.
- The BBC will pay to the GPPS a contribution equal to the amount you have sacrificed through Smart Pensions, plus the BBC will match your contributions up to a maximum of 6% of your base salary.
- Because your basic salary is lower, you pay lower NI contributions but your take home pay increases.
- You will have a base salary which only changes with pay reviews (see page 4).

The amount of income tax you pay is unaffected by Smart Pensions, however there are some differences in the way you receive tax relief on your pension contributions.

Currently your contribution is collected from net pay with basic rate tax relief being provided in the form of an additional amount (equal to 20% of your contribution), added to your pension account by Prudential. If you are a higher rate taxpayer then you need to claim the balance of tax relief directly from Her Majesty’s Revenue and Customs (HMRC).

Under Smart Pensions you agree to a salary sacrifice that is collected from gross pay. As a result, full tax relief is provided directly through payroll, simplifying the process of claiming relief for higher rate tax payers (see page 6 for more details).
The following example shows how Smart Pensions works:

<table>
<thead>
<tr>
<th>Example - based on 2009/2010 rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>John’s basic salary is £30,000 a year; his current contribution rate to the GPPS is 6%.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payments</th>
<th>Without Smart Pensions</th>
<th>With Smart Pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic pay</td>
<td>£30,000</td>
<td>£28,200</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>£1,440 (net pay)</td>
<td>£0 (£1,800 contribution is paid by BBC)</td>
</tr>
<tr>
<td>Tax relief added by Prudential (20%)</td>
<td>£360</td>
<td>£0 (tax relief is now provided through payroll)</td>
</tr>
<tr>
<td>Total contribution to GPPS</td>
<td>£1,800</td>
<td>£1,800</td>
</tr>
<tr>
<td>Pay after pension contribution</td>
<td>£28,560</td>
<td>£28,200 (this includes £360 as a result of direct tax relief)</td>
</tr>
<tr>
<td>NI contributions</td>
<td>£2,671 (based on basic salary of £30,000)</td>
<td>£2,473 (based on basic salary of £28,200)</td>
</tr>
<tr>
<td>Pay after pension contribution and NI</td>
<td>£25,889</td>
<td>£26,087 (includes the £360 of tax relief now received via payroll)</td>
</tr>
</tbody>
</table>

So, in this example John saves £198 a year in NI contributions through Smart Pensions. The amount of tax John pays does not change.

The above example is based on a member who is contracted in to the State second pension National Insurance/tax rates for 2009/2010 tax year. The NI saving will vary according to an individual’s salary.

**Participation in Smart Pension is a change to your contractual terms and conditions of employment.**

If you participate in Smart Pensions you will be able to increase your contribution to the GPPS at anytime. However, you will not be able to reduce your contribution to the GPPS through Smart Pensions before 1 April 2010 unless you have a life event (such as the birth of a child - see the myChoices site of Gateway).
Who should/should not participate?

Smart Pensions is designed to benefit most members. There may be a few members (such as those who receive State benefits or with earnings below a certain level) who would be worse off under Smart Pensions or cannot take part. If you are in this group, we will contact you to suggest that you do not participate in Smart Pensions. Weekly paid employees will not be able to take part in Smart Pensions. For those not participating in Smart Pensions, contributions will be deducted in the same way as now.

Are my benefits affected?

Smart Pensions will not reduce the benefits that you receive from the GPPS. Your base salary (your basic salary before adjustment for Smart Pensions) is the amount used to calculate your contributions to the GPPS. Your base salary is also used to work out BBC salary-related benefits (for example, salary increases, bonuses, overtime and life assurance). It is also the amount used in mortgage letters. This means that Smart Pensions has no effect on future pay reviews or other benefits you receive from working at the BBC.

Are my State benefits affected?

Smart Pensions will not normally reduce these tax credits:

- Child tax credit
- Working tax credit

(see page 7 for details of the Tax Credit helpline that can provide further information)

Smart Pensions may affect the following State benefits:

- Statutory Maternity Pay (SMP)
- Statutory Adoption Pay (SAP)
- Statutory Sick Pay (SSP)
- Statutory Paternity Pay (SPP)

If you receive these benefits you will not be included in Smart Pensions. You will remain out of Smart Pensions until the first pay date after you stop receiving these benefits. Your basic salary will then be tested against the criteria for State benefits. If your salary is sufficient and State benefits are not affected, you will be automatically included in Smart Pensions, unless you opt out.

If your earnings are less than £6,000 a year the following State benefits could be affected:

- Basic State pension
- Incapacity benefit
- Jobseekers allowance

For this reason, anyone earning less than £6,000 a year will not be included in Smart Pensions.
Will Smart Pensions affect my State second pension (S2P)?

The GPPS is not contracted out of the S2P, which means that you build up an entitlement to pension benefits from S2P in addition to benefits from the GPPS.

- If you earn less than £13,900* a year or more than £40,040* a year, Smart Pensions has no impact on your S2P entitlement.

- If you earn between £13,900* and £40,040* a year, there will be a small reduction in your S2P benefit as a result of participating in Smart Pensions, however the NI savings you enjoy while participating in Smart Pensions will be significantly higher than the reduction in your S2P. There will be a very small number of people who because of their age will not see any benefit and if you fall into this group you will be excluded.

- If you are unsure about the impact on your S2P benefit and do not consider the benefit of an increase in your take home pay sufficient to outweigh any reduction in your S2P benefit, you may opt out of Smart Pensions.

If you have contracted out of S2P on an individual basis via your GPPS plan this question is not relevant to you as you will not be building up entitlement to S2P.

*These earning levels are expected to increase each year

Do I have to join Smart Pensions?

No, you can opt out of Smart Pensions.

Contact the pension service line for an opt out form which you must complete and return to the Pension and Benefit Centre by 20 March 2009 at the latest. After 20 March 2009 the next opportunity to opt out of Smart Pensions will be 1 April 2010, unless you have a life event (such as a birth of a child - see the myChoices site of Gateway). If you do not have a life event, you will continue in Smart Pensions.
Frequently asked questions

Q: Will my take home pay increase?

A: Yes. If you contribute through Smart Pensions to the GPPS, for most people your take home pay will be more than it would normally have been.

Q: How long will Smart Pensions last?

A: We plan to operate Smart Pensions indefinitely. However, if NI or pensions law or practice changes, or if it is no longer viable for the BBC to operate it, the BBC reserves the right to withdraw Smart Pensions.

Q: Are my terms and conditions of employment changed?

A: Yes. To benefit from the reduction in NI, your salary (contractual pay) reduces and the BBC’s pension contribution increases. The reduction to your salary (contractual pay) is a change to your terms and conditions of employment. This is the only change and there is no effect on any other element of your BBC pay and benefits.

Q: Do I need to sign a new contract?

A: No. The new terms apply from 1 April 2009 unless you complete and return an opt out form by 20 March 2009.

Q: Will Smart Pensions affect my income tax position?

A: Smart Pensions will not change the amount of tax you pay. However, it will change the way that you receive tax relief on your pension contribution.

Currently your contribution is deducted from your net pay i.e. you initially pay tax on this amount. However, this is then topped up by Prudential in the form of an additional 20% contribution (effectively this is the basic rate tax relief).

After Smart Pensions, you agree to a reduction in salary and the employer pays the pension contribution on your behalf. This means that you now will get immediate tax relief through the payroll. This is particulary beneficial to employees who pay higher rate tax as they will no longer have to claim the balance of their tax relief, over basic rate, from HMRC.

Q: What impact is there on my pension benefits?

A: Your benefits on retirement will be unaffected by participating in Smart Pensions. Your benefits at retirement will depend on the value of your individual plan. Your plan includes the value of your contributions, any extra contributions that you have paid, the BBC’s contributions, investment returns and any transfer values which may have been received from another pension arrangement.

Q: What will appear on my payslip?

A: You will see your first Smart Pensions adjustment in your April 2009 payslip in the left hand column it will show ‘Smart GPPS’. To see an example payslip visit bbc.co.uk/mypension
Further information

You can find out more about Smart Pensions by visiting bbc.co.uk/mypension. You can also telephone the service line on 029 2032 2811 (internal: 01 22811) or e-mail mypension@bbc.co.uk

You may also find the following contacts useful:

**Tax Credit Helpline**
For more information about whether Smart Pensions would affect any of your tax credits call 0845 300 3900

**State Pension Advice Helpline**
For more information visit thepensionservice.gov.uk or call The Pension Service on 0845 60 60 265

**Independent financial advice**
You can choose from the BBC panel of Independent financial advisors listed on the myDeals site of Gateway, alternatively you can obtain details of IFAs in your area, visit IFA Promotion Ltd at unbiased.co.uk.