Smart Pensions

A smarter way to save for your retirement

(Old and New Benefits Members)
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1. **Introducing Smart Pensions**

Smart Pensions is a salary sacrifice arrangement which allows you to make contributions to the BBC Pension Scheme (the Scheme) and helps make the cost of saving for retirement a little more affordable for both you and the BBC.

2. **How does it work?**

Members of the Scheme are automatically included in Smart Pensions.

- You do not pay pension contributions directly.
- Your basic salary is reduced by 7.5% of pensionable salary and the BBC pays this amount to the Scheme. In addition, the BBC also pays its own contribution, representing the balance of the cost of providing the benefits.
- Because your basic salary is lower, you pay lower NI contributions so the net reductions in your take home pay are less than it would otherwise be.

This example below shows how Smart Pensions works and the annual savings.

**Example**

Member A's pensionable salary is £30,000 a year and the contribution rate is 7.5%.

<table>
<thead>
<tr>
<th>Without Smart</th>
<th>With Smart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary</td>
<td>£30,000</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>£2,250</td>
</tr>
<tr>
<td>Pay after contributions</td>
<td>£27,750</td>
</tr>
<tr>
<td>NI contributions</td>
<td>£2,337 (based on basic salary of £30,000)</td>
</tr>
<tr>
<td>Pay after Pension and NI</td>
<td>£25,413</td>
</tr>
</tbody>
</table>

So, in this example the member saves £239 in NI through Smart Pensions.  
Based on Tax year 2014/15

3. **Who should/should not participate?**

Smart Pensions is designed to benefit most Scheme members. There may be a few members (such as those who receive State benefits or who have 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.

Weekly paid employees will not be able to take part in Smart Pensions. For those not participating in Smart Pensions, contributions will be deducted from your pay in the same way as they were before Smart Pensions was introduced.
4. Are my BBC benefits affected?

Smart Pensions will not reduce salary-related payments or benefits that you receive from the BBC. Your basic salary before adjustment for Smart Pensions (or any other benefits based on 'salary sacrifice' e.g. buying holiday) is the amount used to calculate your pension benefits and all other BBC salary-related benefits (for example, salary increases, bonuses, overtime, 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.

5. Are my State benefits affected?

Smart Pensions will not affect these tax credits:

- Child tax credit
- Working tax credit

Smart Pensions may affect these 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 around £6,000 a year the following State benefits could be affected:

- Basic State Pension
- Incapacity Benefits
- Jobseekers Allowance

For this reason, if you earn less than £6,000 a year you will not be included in Smart Pensions.
6. What about AVCs or buying Added Years?

If you pay Additional Voluntary Contributions (AVCs) or buy Added Years then these will be automatically included in Smart Pensions and you will make further NI savings unless you choose to opt out.

Participating in Smart Pensions does not affect the number of Added Years you can buy or the amount of AVCs you can pay. However, the Scheme maximum will apply to contributions you pay through Smart Pensions. Subject to notice and the normal restrictions, you can increase your purchase of Added Years or AVCs at any time.

However, you will not be able to stop or reduce your Added Years or AVCs through Smart Pension before 1 April each year unless you have a lifestyle change (see myChoices site of Gateway).

7. Frequently asked questions

Q: How much will my take home pay increase by?
A: As a member of the Scheme, your take home pay will of course be less than it would have been as a non-member. However, if you contribute through Smart Pensions, we estimate that you will take home between £15 and £250 a year more than you might otherwise have done.

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: To benefit from the reduction in NI it is necessary to reduce your contractual pay and increase the BBC’s pension contribution, which is a technical 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 or benefits.

Q: How will Smart Pensions affect income tax?
A: Smart Pensions will not change the amount of income tax you pay.

Q: What impact is there on my pension benefits?
A: All your pension benefits will continue to be based on your pensionable salary which is your basic pay before the adjustment for Smart Pensions or any other salary sacrifice arrangement that you have entered into.
8. **Further information**

- You can find out more about Smart Pensions by visiting [bbc.co.uk/mypension](http://bbc.co.uk/mypension). You can also telephone the pension service line on **029 2032 2811** (internal: 01 22811) or email [mypension@bbc.co.uk](mailto: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 **0345 300 3900**.

- State Pension Advice Helpline for more information visit [gov.uk](http://gov.uk) or call The Pension Service on **0345 60 60 265**.

- You can choose from the BBC panel of Independent Financial Advisors (IFA) listed on the myDeals site of Gateway, alternatively you can obtain details of IFAs in your area by visiting [unbiased.co.uk](http://unbiased.co.uk).