



# salary sacrifice conversion

## raffingers employee benefits

### Introduction

Tavistock Employee Benefits have one simple philosophy – to provide a professional, friendly, prompt and jargon free approach to pension planning. As Independent financial advisers specialising in the corporate pensions arena, you can be assured of our experience and attention to detail when implementing or managing your company pension arrangements.

Whether it is assistance with Auto Enrolment or advice regarding existing company pension arrangements and salary sacrifice, the Employee Benefits team is perfectly equipped and experienced to understand your requirements and work with you to implement your chosen solution.

### Salary Sacrifice Conversion

The key to implementing a salary sacrifice arrangement is ensuring that the process and implications are fully understood by all concerned.

From an employer's perspective, clarity needs to be sought around what will happen to the National Insurance savings made by both employer and employees. Many clients will want the 13.8% employer saving to be used to offset the costs of the employer pension contributions being made. Others will want this saving to be re-directed into the employee's pension plan to enhance the contributions and provide a better retirement outcome. It is also possible to split the savings so that both employer and employees benefit from the employer's saving.

For employees, a decision will need to be made whether their savings are also used to increase the pension contributions or if they are used to increase their take home pay.

To assist with these decisions, we will run the necessary calculations to see what impact each option will have on both parties. This would form part of an initial strategic implementation meeting to start the process. Consideration also needs to be given to those employees who may not be able to benefit from Salary Sacrifice as follows:

- Those close to the National Minimum Wage
- Those close to the Lower Earnings Limit
- Those close to the Personal Income Tax Threshold



The implications of maternity/shared parental leave also need to be taken into account along with the merits of imposing a cap on the level of contributions that an employee can make via Salary Sacrifice.

Once the strategic decisions have been made, we then complete the following to ensure a smooth transition to Salary Sacrifice:

- Data interrogation to ascertain Salary Sacrifice savings available to employer and employees
- Gain authority to liaise with your pension provider and payroll processors to inform them of the changes
- Provide initial communication to inform employees of the change
- Present the process, benefits and implications to your employees – see below for further detail
- Prepare salary sacrifice contract amendments and other necessary documentation
- Provide each employee with a calculator to enable them to illustrate the impacts of Salary Sacrifice
- Assist with first contribution upload to ensure processed correctly and confirm with pension provider

## Communication

Effective communication of any change to your employees' pension and benefits is crucial to ensure a thorough understanding and appreciation. For this reason we would prepare and deliver onsite presentations to employees to include the following:

- General pensions recap – to update employees on recent changes to legislation
- A summary of the current process and tax rules – including how to reclaim any outstanding higher rate tax relief
- An explanation of Salary Sacrifice (what it is and how it works)
- A working example to show the financial benefits to both basic and higher rate tax payers
- Potential downsides to using salary sacrifice
- The process and documentation
- The opportunity to ask questions

As many of our clients have employees who work remotely, we would also prepare a recorded version of the presentation that can either be emailed or posted on your own intranet. It is also possible for us to create a bespoke webinar should this be the preferred method of communication.

If you would like to know more information about our salary sacrifice conversion, please don't hesitate to get in touch with Mike Lodge at [mike.lodge@tavistockemployeebenefits.com](mailto:mike.lodge@tavistockemployeebenefits.com) or alternatively you can give him a call on 07793 936 655.