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Bwrdd Iechyd Prifysgol
Caerdydd a'r Fro
Cardiff and Vale
University Health Board

Salary Sacrifice Schemes – Pension Implications

Within the UHB we have a number of salary sacrifice schemes, such as the new lease car scheme, childcare vouchers and bikes.

As part of these schemes, the individual gives up some of their contractual entitlement to cash earnings, in return for non cash benefits. In practice, this means that the individual is giving up part of their salary to pay for the lease car/childcare vouchers/bicycle. This will then reduce their Total Pensionable Pay (TPP), as the amount of salary sacrificed, is taken directly from their gross pay and is, therefore, **not** pensionable. Pension contributions are only paid on the TPP **after** the salary sacrifice amount has been taken off.

The implications in relation to the NHS Pension will, to a large extent, be dependant on which section or scheme you are a member of.

1995 Section Members

If you are in the last 3 years of employment before retirement and you are a member of the NHS pension scheme (1995 section), taking part in the scheme will have an affect on your NHS pension benefits. Upon retirement, NHS pension benefits are calculated on the best of the last 3 years Pensionable Pay. As your Pensionable Pay will decrease by the amount of the Salary Sacrifice, this will have an affect on your benefits if you retire during or soon after the scheme.

2008 Section Members

If you are in the last 10 years of employment before retirement and are a member of the New NHS Pension Scheme (2008 section), taking part in the scheme may have an affect on your NHS Pension benefits, depending if/when you plan to wind down your commitment and earnings in your last years of employment. Upon retirement, NHS Pension benefits are calculated on the average of the best three consecutive year's Pensionable Pay in the last 10 years of working. As your Pensionable Pay will decrease by the amount of the Salary Sacrifice, this may have an affect on your benefits.

2015 Scheme Members

You will be aware that the vast majority of NHS employees, who are members of the NHS Pension Scheme moved to the new 2015 NHS Pension Scheme on 1 April 2015.

The introduction of the 2015 NHS Pension Scheme has important implications for members participating in or considering salary sacrifice arrangements. The new 2015 Scheme is a Career Average Revalued Earnings (CARE) scheme. In a CARE scheme the employee's final pension benefits are calculated using their pensionable pay from each year of membership and not just on the employee's salary near retirement.

The consequence of either entering into or continuing with any salary sacrifice arrangement is that this will reduce your gross pensionable pay each year and will have a negative effect on the amount of pension you are able to build up in that year. The overall affect from participating in any salary sacrifice scheme is that this will reduce the amount of final pension benefits you build. **This means that the occupational pension you receive when**

you retire will be lower than the amount you would have received had you not participated in the salary sacrifice arrangement.

NHS Pensions have produced a Salary Sacrifice Factsheet with an illustration of the impact of how salary sacrifice could affect the amount of benefits you could build up. More information on the 2015 Scheme, including the Factsheet and Scheme Guide can be found on the NHS Pensions website www.nhsbsa.nhs.uk/pensions

Whilst it is your choice whether to enter into a salary sacrifice arrangement or remain within such an arrangement, you should consider the pension impact against the benefits of any savings you currently make through membership of the salary sacrifice arrangement.