

Pension salary sacrifice: frequently asked questions

What is pension salary sacrifice?

Salary sacrifice is an arrangement between you and your company where you agree to a reduction in your salary and in return you receive a non-cash benefit, in this case contributions to your pension.

We are introducing a pension salary sacrifice arrangement which changes the way your pension contributions will be made so:

- You stop making pension contributions personally.
- Your company pays an additional amount directly into your pension, equal to your contributions to make up the difference.
- Your company then reduces your base salary by an amount equal to your pension contributions.
- You pay less National Insurance contributions (NIC), so your take-home pay will increase.

Why use salary sacrifice?

Using salary sacrifice means that the amount of NIC that you pay each month will reduce, resulting in a potential increase in your take-home pay.

- If you earn below the Upper Earnings Limit (UEL), which is currently £50,270 for the tax year 2026/27, there is a reduction in National Insurance contributions (NIC) for both your company and you (8% for you and 15% for the company). This will increase your take-home pay and will also reduce costs for your employer.
- The savings are greatest if you earn less than the UEL. If you earn above the UEL, your NIC saving will be 2%.

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Does participating in salary sacrifice change my terms and conditions of employment?

Yes – to benefit from the reduction in NIC, it is necessary to reduce your contractual salary and increase the employer pension contribution, which is a change to your terms and conditions of employment.

Can I opt out of salary sacrifice now?

If you do not wish to participate in salary sacrifice you should contact your HR team to request an opt-out form.

Can I withdraw or opt-out from salary sacrifice at any time?

Yes, you will need to contact your HR team to request an opt-out form. This will need to be completed and returned to HR.

How does the reduction in my contractual salary affect my other benefits?

All other benefits for example, salary increases, life assurance, group income protection, overtime, etc will be calculated using your reference salary (which is your salary before taking account of any salary sacrifice adjustment).

Will my pensionable salary remain the same?

Yes – your pensionable salary will continue to be calculated as at present, i.e. based on your reference salary (your salary before the salary sacrifice).

What about if I need to ask for a reference for a mortgage or loan?

We will advise lenders of the amount of your reference salary so salary sacrifice should have no impact on the amount of money you can borrow for a mortgage or loan. However, you should check this with your provider just to be sure they will accept this.

As a member of an existing pension scheme, will I be automatically transferred to the new salary sacrifice scheme?

All future pension contributions will default to a salary sacrifice basis as this is the way the scheme will operate moving forward. If for any reason you choose to opt out of the salary

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sacrifice scheme you will need to complete an opt-out form which is available from Human Resources and return it by a date your employer specifies.

Are there any circumstances where it may not be advantageous to participate?

It will not be advantageous for you to participate if any of the following apply to you:

- Your earnings are close to the National Minimum Wage (£12.71 per hour at age 21 and over from April 2026).
- Your earnings are close to the Primary Earnings Threshold for NIC purposes (£12,570 per annum for 2026/27).

If you believe that you may fall into one of the above categories, then please contact your HR team.

Will salary sacrifice affect any benefits I get from the State?

Entitlement to some State Benefits such as Basic State Pension, Statutory Sick Pay, Employment & Support Allowance and Job Seekers Allowance is based on the amount of NICs the employee pays.

Providing you continue to earn more than the Primary Earnings Threshold (£12,570 per annum for 2026/27) on a regular basis, your entitlement to these benefits will not change.

If you are pregnant you may wish to suspend your participation in pension salary sacrifice during the reference period for Statutory Maternity Pay to avoid a reduction in your SMP.

How can I contact Cushon?

You can call us on 020 3926 0333 or visit our website at www.cushon.co.uk to get in touch.

While Cushon can give you plenty of information about the options, we're not able to give financial advice. The value of investments can go down as well as up.

Need this in a braille, large print or audio format? Please get in touch by calling 020 3926 0333 or send us a message at cushon.info/accessibility.

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