

'Salary Sacrifice' Staff Benefits - How are your pension benefits affected?

Some employers are introducing additional staff benefits of which some are "salary sacrifice" schemes, such benefit schemes can have an affect on your Local Government Pension Scheme Benefits. Salary Sacrifice means that you agree to give up some of your salary in return for the benefit that you have chosen, as you have agreed to lower your salary the amount of tax and national insurance that you pay is reduced and you make a saving. Some of the schemes also affect the salary on which your pension is calculated.

Benefit	Is my Pension Affected?
Cycle to Work Salary Sacrifice Scheme	No
Smart Phone and Technology Salary Sacrifice Scheme	No
Childcare Vouchers	No
Green Car Salary Sacrifice Scheme	Yes
Purchase Of Additional Annual Leave	Yes

How will the Green Car/Additional Annual Leave Salary Sacrifice Schemes Affect my Pension?

The pay that is used to calculate your pension benefits will be the pay after the sacrificed amount and you will therefore build up less pension for the length of the agreement. Since April 2014, your pension under the Career Average Re-valued Earnings (CARE) scheme is based on your pensionable pay for the year 1st April to 31st March, an example of the impact on this section of your pension benefits is shown below

Annual Salary	Annual Sacrificed Amount	CARE Pension Build up During Year* (Reduced Annual Salary divided by 49)
£25,000	Nil	£510.20
£25,000	£3,000	£448.98

Every £1,000 salary sacrificed means a loss of £20.41 CARE pension*

*assuming that you are in the Main Section of the Local Government Pension Scheme and not the 50/50 section

If you were a member of the Local Government Pension Scheme before April 2014 then you will also have benefits in the Final Salary Section of the scheme. The final pay used for calculating these benefits is normally your pay in the 365 days before leaving, and if you have been taking part in the Salary Sacrifice Scheme in the year you leave or retire then it is the pay after the amount sacrificed that is used, and your final salary benefits will also be affected. However, the Local Government Pension Scheme Regulations do allow the pay to be used from either of the two years prior to the year of leaving if higher.

How will the Green Car/Annual Leave Salary Sacrifice Scheme Affect my Death Benefits?

If death occurs whilst a salary sacrifice is in place, then the pay after the deduction of the salary sacrifice will be used to calculate the death benefits payable in the event of your death, and both the death grant and any dependant's benefits payable would also be based on the lower CARE and Final Pay figures.

Can I make up the lost pension?

Yes - you can elect to purchase additional pension by paying Additional Pension Contributions to cover the lost pension.

Alternatively, you can also pay Additional Voluntary Contributions to increase your benefits.

Further information on increasing your pension benefits can be found at www.lqpsmember.org

For further information, please contact the Pensions Helpdesk on 01443 680611.