CAMBRIDGE

March 2023

Dear Employee

This letter is to confirm our recent conversations and your decision to exchange part of your salary for pension contributions which the College will pay to your pension provider on your behalf.

This arrangement known as 'salary exchange' means your salary will be adjusted by the amount you have declared overleaf as being your chosen personal contribution. The College will continue to pay its contributions into the same Workplace Pension plan for you.

Your decision creates a change to the terms of your employment because it will have the effect of exchanging your chosen portion of salary for pension contributions. Consequently, you should keep your own copy of this letter safely with your existing contract of employment.

You are advised to consider the impact that this change in your remuneration might have on your personal financial circumstances before you confirm by signing below that you wish to proceed with salary exchange. The key factors for you to think about were discussed in the recent group presentations and are also described in the attached 'Salary Exchange Explained' document. If you are still in any doubt about what to do then please discuss your concerns with me or my nominee.

If you have chosen to proceed with salary exchange for your pension then please sign two copies of this double-sided document; retain one copy and hand the other to me by 8 March 2023 to indicate your understanding and acceptance of this arrangement.

Yours sincerely

Sally Hewings

Sally Hewings
HR Manager
Tel: 01223 333222
Email: sh435@clare.cam.ac.uk

ACKNOWLEDGEMENT

My signature below indicates that I have read, understood and accepted the arrangements set out in this letter in relation to the salary exchange details which I have completed overleaf.

Name and Signature ....

Date of signing ....

CAMBRIDGE

Please fill in your details and tick the boxes which represent your choices.
Deliver your completed form to Sally Hewings before 8 March 2023.

Name ....

CRSID ....

National Insurance number ....

I wish to opt-in to a salary exchange plan and pay my own pension contributions out of my pre-tax pay instead of my after-tax (net) pay.	
OR	
I do not wish to change my current method of making my own pension contributions and I understand that by making this choice I will not receive the national insurance benefits of such a scheme.	

Provided I may do so without breaching the National Minimum Wage requirement, I wish to contribute the following match-doubled percentage of pay into my pension with effect from April 2023 (please tick just <u>one</u> box) :

3 %	
4 %	
5 %	

Salary exchange could affect an employee's future entitlement to certain state benefits, including the receipt of tax credits.

If an employee's earnings were to fall below a certain level (currently £ 6,396 per year) then that employee would no longer be eligible for:

- **statutory sick pay**
- **statutory maternity, paternity or adoption pay**
- **incapacity benefit**
- **jobseeker's allowance**

Tax credits depend on family income and circumstances and they are administered by HMRC. More information about the possible effect of salary exchange on the amount of tax credits is available by calling the HMRC help-line : 0345 300 3900.

If not enough NIC is paid on earnings, an employee's state pension entitlement benefits may be reduced on retirement so this needs to be considered too. The HMRC website contains a useful prediction tool : Check your State Pension forecast - GOV.UK (www.gov.uk)

Salary exchange should not reduce an employee's earnings to a level which is less than the national minimum wage which means that, for anyone earning less than about £ 18,000 per year for a full-time job, care should be taken when considering a salary exchange scheme.

For some individuals, such as those earning less than the annual tax-free earnings limit (the so-called 'personal allowance'), the making of pension payments via a salary exchange scheme might be less tax efficient than the more traditional 'net pay' method used to date for members of our defined contribution schemes.

There is a very low risk that choosing to switch to a salary exchange method of making pension contributions could have a detrimental impact on the amount of borrowing that the employee might be able to secure. Because the College provides a detailed breakdown of salary on payslips, and provides lenders with references which declare the original 'reference' salary levels, the risk is minimal. Nonetheless staff are advised to consider their probable future needs for loans, overdrafts, mortgages, credit card limits, income protection insurance benefits and redundancy entitlements before making a switch.

No. Salary-related benefits, such as life assurance are always based on the 'reference'