SMART

‘Save Money and Reduce Tax’

As a member of Leonardo FuturePlanner you have two ways of making contributions to the plan:

- via deduction from your pensionable pay; or
- via salary sacrifice. This option is known as SMART, which stands for ‘Save Money and Reduce Tax’.

This Guide explains how SMART works. If you have any questions after reading this guide, please get in touch with XPS Administration. Their contact details are given at the back of this document.

Most employees will be better off as a result of paying their contributions through SMART however a small number of members may not benefit or may be worse off. Please read the Questions & Answers section for further information.

Please understand that, by law, XPS Administration cannot give you financial advice. If you want help in deciding whether SMART benefits you, please consider talking to an Independent Financial Adviser.

How SMART works

SMART is a way of contributing towards your pension benefits which reduces the amount of National Insurance that you and your Employer have to pay. It can increase your take-home pay, and it saves your Employer money. Participating in SMART involves a change to your terms and conditions of employment.

Here is how it works.

- Members do not make pension contributions.
- Instead your salary goes down by an amount equal to your pension contributions (salary sacrifice).
- Your Employer pays an amount, equal to your pension contributions directly into FuturePlanner.
- As a result of this, you and your Employer pay no National Insurance on your contributions. Your take-home pay may be higher, and the Employer also saves money.

Your salary before the SMART deduction is made is known as your 'reference salary' and will be used to work out your FuturePlanner benefits (for example the matching Employer contributions and the death in service lump sum) other Employer benefits (including bonuses, overtime and maternity pay) and for any salary reviews.

Your Employer intends to operate SMART as long as the savings on National Insurance continue to be available. However, if the rules on tax or National Insurance change, or there is some other reason that prevents your Employer from continuing with the arrangement, it will stop.

If this happens, your salary will be increased back up to its pre-SMART level and you must pay pension contributions by deduction from salary. Your take-home pay may go down because you are no longer making savings on National Insurance. You will not have to pay back any of the savings you made while SMART was operating.

Questions and Answers

How much will I save through SMART?

Employee NI is 12% of a band of earnings. So, with the tax relief and the SMART saving, the take-home pay impact of each £1 of employee contribution can be only 68p.

If you earn more than the Upper Earnings Limit for National Insurance the NI is 2%. So with the tax relief and the SMART saving, the take-home pay impact of each £1 of employee contribution can be only 68p? This may different if you are a Scottish tax payer.

Please visit the two-for-one calculator on the FuturePlanner website, www.futureplanner.co.uk which will enable you to enter your earnings and will show you how little it cost you by participating in SMART. Note, if you live in Scotland your tax savings may differ to those of England and Wales.

Please note that all the amounts quoted on the modeller are **estimates** only using the current tax year figures. These may change in the future if pension, tax or National Insurance laws change.

I'm not paying my contributions through SMART – how can I join?

You are able to opt in to SMART at anytime. This also applies if you are in SMART and wish to opt out (subject to one month's notice for payroll deadlines).

You can find the SMART option form in the Library section of the website.

Is Leonardo the only company doing this?

No, many other large organisations allow their employees to make pension contributions through similar arrangements, delivering savings to their employees and the business.

Does SMART affect my tax position?

No. Your pension contributions are free of tax. The reduction in your gross taxable pay is equal to the pension contributions you would have made. SMART only affects National Insurance contributions.

Are voluntary savings included in SMART?

Yes since 1 July 2013 your voluntary savings (i.e., those above 5%) are included in SMART

Will my pension reduce?

No. Your pensionable salary is not affected by SMART so your benefits remain the same. Benefits that are linked to contributions paid will be calculated as if you had not participated in SMART.

Does SMART affect my other employment benefits?

It does not affect the following benefits: pension; overtime; bonuses; salary supplements; shift premium; holiday pay; sick pay; maternity pay, adoption pay and paternity pay. This is because benefits are based on your reference salary – which is your salary before SMART. Salary reviews are also based on reference salary.

Does SMART affect the amount of mortgage I can apply for?

For any mortgage or other loan references that we provide, we will disclose your reference salary.

What happens if my salary goes below the National Living Wage?

The payroll system will automatically take you out of SMART if your salary would be less than the National Living Wage which is approximately £18,100 (this changes each year). If your salary then increases above the National Living Wage the payroll system will put you back into SMART.

Does SMART affect my State benefits?

Your National Insurance contributions count towards State benefits, so it is possible that participation in SMART could affect some of these benefits. This generally depends on the amount you earn.

Some State benefits are not affected by SMART as long as you pay at least the minimum level of National Insurance. For example:

- Basic State pension
- Statutory sick pay
- Incapacity benefit
- Jobseeker's allowance

Your entitlement to these benefits will not change as long as you earn more each year than the Lower Earnings Limit before SMART. If your earnings are currently below this figure, it is possible that SMART could affect your entitlement to some State benefits. Please note however that as set out above, if your salary would be less than the National Living Wage payroll will automatically take you out of SMART.

Some employees may receive other benefits such as income support and housing benefit. These benefits are typically means tested and assessed on your overall financial position. You may need to consider whether the increase in net pay that arises as a result of participation in SMART would impact on the level of these benefits.

SMART does not affect any income tax credits you may receive.

SMART could reduce the amount of statutory entitlement to maternity, paternity and adoption payments. However, Leonardo ensures that employees are no worse off by adjusting the amount paid by your Employer.

Members should also consider the effect on other State benefits. For example, Working Tax Credits and Child Tax Credits may increase due to the reduction in an employee's taxable earnings, thus increasing the overall net saving. The overall impact for each employee is highly dependent on individual circumstances.

Any more questions?

If you have any questions about SMART or your benefits that are not answered here, please get in touch with XPS Administration either by:

- Calling **0118 467 5900**; or
- Emailing **FuturePlanner@xpsgroup.com**

Please understand that XPS Administration cannot give you financial advice. If you are unsure about whether SMART is beneficial to you, you may want to consider consulting an Independent Financial Adviser (IFA). An organisation called IFA Promotion can provide contact details for IFAs in your area – you can visit their website at www.unbiased.co.uk.

Disclaimer

The purpose of this guide is to provide you with information about SMART and is not financial advice. Illustrations are indicative of savings you may make. The actual amounts may vary from those shown depending on your circumstances. The rules of the Scheme govern how the Trustee must act and if the rules are inconsistent with the information in this guide, the rules will prevail.