



Salary Sacrifice – Staff Benefits

How are your pension benefits affected?

Introduction

This factsheet explains how your pension benefits under the Local Government Pension Scheme (LGPS) are affected by Salary Sacrifice schemes.

What is Salary Sacrifice?

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.

Different types of Salary Sacrifice

Salary Sacrifice Scheme	Is my Pension Affected?
Cycle to Work	NO
Childcare Vouchers	NO
Shared Cost AVC	NO
Green Car	YES
Purchase of Additional Annual Leave	YES

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

The pay that is used to calculate your pension benefits will be the pay after the sacrificed amount and you 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 are shown below:

Annual Salary	Annual Amount Sacrificed	CARE Pension Build up During Year* (reduced annual salary divided by 49)
£25,000	Nil	£510.20
£25,000	£3,000	£448.96

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

**Assuming that you are in the Main Section of the LGPS 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, under the Local Government Pension Scheme Regulations you will have the option to base your **Final Salary benefits** on any one of the last three years' pensionable pay (if higher than the last year).

How will the Green Car/Additional 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 dependent's benefits payable would also be based on the lower CARE and Final Pay figures.

Can I make up the lost pension?

It is possible to buy back the lost pension via Additional Pension Contribution (APC) contract. You will need to enquire with your employer if they are willing to *share the cost of buying back the lost pension.

*Option to share the cost is **ONLY** available for the purchase of additional annual leave

Your Employer will provide you with your **lost pensionable pay** figure, which you will need when using online **APC Calculator** to work out the cost of buying back your lost pension:

[Buy lost pension calculator :: LGPS \(lgpsmember.org\)](http://lgpsmember.org)

If you make an election to pay APC to purchase an additional annual pension amount, which would then cover the loss to your annual pension. On 1 April 2014, a cap of £6,500 per annum was put in place to limit the amount of annual pension that you can purchase in the LGPS. This cap has been inflation proofed every year since then. The current cap is shown on the online CPY calculator. **Please return the form produced by the calculator to your payroll department as soon as possible.**

If your employer is **NOT** willing to share the cost of buying back the lost pension, you will need to **chose** [Buy extra pension calculator :: LGPS \(lgpsmember.org\)](http://lgpsmember.org). You will be responsible for the whole cost. (Please use this option if you wish to buy back the lost pension for Green Car salary sacrifice).

If you use the **Buy Extra Pension** calculator, please send the completed form to us.

You have the option to buy back lost pension amount as a one-off lump sum payment (deducted from your pay) or monthly over a minimum period of **12 months**. However, if you wish to pay monthly, you are required to complete a form to certify that you are in reasonably good health.

Where can you find more Information?

This factsheet gives general guidance only, if you need further information, please contact the Gwynedd Pension Fund:

Tel: 01286 679982

Email: pensions@gwynedd.llyw.cymru

Disclaimer

The Pension Fund is unable to provide any financial advice. After reading this factsheet, you may want to seek independent financial advice to make an informed decision.

These bodies may be able to help you:

Unbiased: <https://unbiased.co.uk/>

Money Helper: [Choosing a financial adviser \(moneyhelper.org.uk\)](https://www.moneyhelper.org.uk)