



Introducing Smart Pensions

A smarter way to save for your retirement

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A photograph of a woman with glasses and a young child with curly hair sitting at a table. The woman is smiling and looking towards the camera. The child is also smiling and looking towards the camera. There is a white bowl on the table in front of the woman and a cutting board with carrots in front of the child. The background is a bright, indoor setting with a window.

Smart Pensions for Old and New Benefits members

Introducing Smart Pensions

Smart Pensions is an easy way to make contributions to the BBC Pension Scheme (the Scheme) which can help make the cost of saving for retirement a little more affordable for both you and the BBC.

Currently, contributions for Old and New Benefits members are deducted from gross pay and paid direct to the Scheme.

You enjoy tax relief on your contributions, but you do not see any additional saving in National Insurance (NI) contributions.

Smart Pensions offers the same tax relief but also provides an opportunity for you and the BBC to save some NI contributions. The savings made by the BBC help subsidise the cost of your pension.

Please read on to find out more about this important initiative and what it might mean for you.

Produced by: Pension and Benefits Centre 2008

Phone: 029 2032 2811

Fax: 029 2032 2408

E-mail: myPension@bbc.co.uk

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How does it work?

This is how Smart Pensions works:

- Your contributions will stop.
- Your current salary (contractual pay) will be reduced by the amount you currently pay into the Scheme. This rate is currently 6% of your **pensionable salary**. The BBC will pay an additional amount to the Scheme equal to the contributions you make at the moment. In addition, the BBC also pays its own contribution to the Scheme.

Pensionable salary In any Scheme year, this is your basic pay, including any other earnings that may be recognised by the BBC as pensionable before Smart Pensions, subject to the 'earnings cap' of £117,600 (2008/2009 tax year).

- Because your basic salary is lower, you pay lower NI contributions but your take-home pay increases.
- You will have a base salary which only changes with pay reviews (see page 5).

The following example shows how Smart Pensions works.

Example – based on 2008/2009 rates

John's pensionable salary is £30,000 a year; his current contribution rate to the Scheme is 6%

Payments	Without Smart Pensions	With Smart Pensions
Contractual pay	£30,000	£28,200
Pension contribution (6%)	£1,800	£0
Pay after pension contribution	£28,200	£28,200
NI contributions	£2,294 (based on basic salary of £30,000)	£2,124 (based on basic salary of £28,200)
Pay after pension contribution and NI	£25,906	£26,076


In this example John saves £170 a year in NI contributions through Smart Pensions.

You can visit Gateway (<http://sites.gateway.bbc.co.uk/myreward/myPension.shtml>) to see how much you will save in NI contributions through Smart Pensions.

The example above is based on legislation as at January 2008 and is subject to change if the law changes.

Participation in Smart Pensions is a change to your contractual terms and conditions of employment.





Who should or should not participate?

Smart Pensions is designed to benefit most Scheme members. There may be a few members (such as those who receive State benefits or who have earnings below a certain level) who would be worse off under Smart Pensions or cannot take part. If you are in this group, we will contact you to suggest that you do not participate.

Weekly paid employees will not be able to take part in Smart Pensions. For those not participating in Smart Pensions, contributions will continue to be deducted from your pay in the same way as now.

Are my pension benefits or other BBC benefits affected?

Smart Pensions will not reduce salary-related payments or benefits that you receive from the BBC or the Scheme. Your base salary (your basic salary before adjustment for Smart Pensions or any other benefit based on 'salary sacrifice' such as buying holiday) is the amount used to calculate your pension benefits.

Your base salary is also used to work out all other BBC salary-related benefits (salary increases, overtime, life assurance). It is also the amount used in mortgage letters. This means that Smart Pensions has no effect on future pay reviews or other benefits you receive from working at the BBC.

Are my State benefits affected?

Smart Pensions **will not** affect these tax credits:

- Child tax credit
- Working tax credit

Smart Pensions **may** affect these State benefits:

- Statutory Maternity Pay (SMP)
- Statutory Adoption Pay (SAP)
- Statutory Sick Pay (SSP)
- Statutory Paternity Pay (SPP)

If you receive these benefits you will not be included in Smart Pensions. You will remain out of Smart Pensions until the first pay date after you stop receiving these benefits. Your basic salary will then be tested against the criteria for State benefits. If your salary is sufficient and State benefits are not affected, you will be automatically included in Smart Pensions, unless you opt out.

If your earnings are less than around £6,000 a year the following State benefits could be affected:

- Basic State Pension
- Incapacity Benefit
- Jobseekers Allowance

For this reason, if you earn less than £6,000 a year you will not be included in Smart Pensions.

What about AVCs or buying Added Years?

If you pay Additional Voluntary Contributions (AVCs) or buy Added Years then these will be automatically included in Smart Pensions and you will make further NI savings unless you choose to opt out.

Participating in Smart Pensions does not affect the number of Added Years you can buy or the amount of AVCs you can pay, which will remain the same as now. However, the Scheme maximum will apply to contributions you pay through Smart Pensions. Subject to notice and the normal restrictions, you can increase your purchase of Added Years or AVCs at any time. However, you will not be able to stop or reduce your Added Years or AVCs,

through Smart Pensions, before 1 April 2009 unless you have a lifestyle change (such as the birth of a child – see Gateway (<http://sites.gateway.bbc.co.uk/myreward/myPension.shtml>) for more details). If you think that you will want to stop or reduce your Added Years or AVCs before 1 April 2009, you can opt out of Smart Pensions for your Added Years or AVCs (or both) and continue to pay those contributions in the same way as now. To do this you will need to complete and return an Opt Out form by 27 May 2008.





Do I have to join Smart Pensions?

No, you can opt out of Smart Pensions.

Contact the service line for an Opt Out form which you must complete and return to the Pension and Benefit Centre by 27 May 2008 at the latest. After 27 May 2008 the next opportunity to opt out of Smart Pensions will be in April 2009, unless you have a lifestyle change (such as the birth of a child – see Gateway (<http://sites.gateway.bbc.co.uk/myreward/myPension.shtml>)). If you do not have a lifestyle change you will continue in Smart Pensions.

Frequently asked questions

How much will my take-home pay increase by?

Most people will see an increase in their take-home pay. You can visit the myChoices site of Gateway (<http://sites.gateway.bbc.co.uk/myreward/myChoices.shtml>) to see how much in NI contributions you will save through Smart Pensions.

How long will Smart Pensions last?

We plan to operate Smart Pensions indefinitely. However, if the law or practice changes, or if it is no longer viable for the BBC to operate it, we reserve the right to withdraw Smart Pensions.

Are my terms and conditions of employment changed?

Yes. To benefit from the reduction in NI, your salary (contractual pay) reduces, you no longer pay contributions, and the BBC's pension contribution increases. The reduction to your salary is a change to your terms and conditions of employment. This is the only change and there is no effect on any other element of your BBC pay or benefits. You do not need to sign a new contract. The new terms apply from 1 June 2008 unless you complete and return an Opt Out form by 27 May 2008. If you

opt out of Smart Pensions your terms and conditions of employment will not change.

How will Smart Pensions affect income tax?

Under current tax law Smart Pensions will not change the amount of income tax you pay. Pension contributions are deducted before tax so the amount of tax you pay is not affected either way.

What impact is there on my pension benefits?

All your pension benefits will continue to be based on your base salary, which is calculated using your basic pay before the change for Smart Pensions or any other 'salary sacrifice' arrangement that you have entered into. Your pension benefits will remain the same as now and subject to Scheme maximums.

Have the BBC Pension Scheme Trustees been consulted?

Yes, the Trustees have been consulted and support the introduction of Smart Pensions.

What will appear on my payslip?

Your payslip will show your basic salary and the monthly amount of your Smart Pensions adjustment.

Further information

You can find out more about Smart Pensions and the BBC Pension Scheme by visiting mypension on Gateway <http://sites.gateway.bbc.co.uk/myreward/myPension.shtml>
You can also telephone the service line on 029 2032 2811 (internal: 01 22811)
or email myPension@bbc.co.uk.