



Your guide to Pensions Plus

For members of the Defined Benefit (DB)
Section of the Prudential Staff Pension Scheme

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Pensions Plus is a salary exchange arrangement that provides an opportunity for you to pay Additional Voluntary Contributions (AVCs) to the DB Section of the Prudential Staff Pension Scheme (the Scheme) in an efficient way. When compared with regular AVCs the arrangement increases your take-home pay by reducing your National Insurance (NI) contributions. The Company also makes a NI saving and is giving half of the saving to you in the form of a discretionary additional contribution, known as a Pensions Plus Bonus.

If you decide to pay AVCs and you benefit from Pensions Plus, you will automatically pay your AVCs this way, unless you choose not to participate.

This booklet outlines the key points and benefits of Pensions Plus.

Important points

- When you contribute to the Scheme using Pensions Plus, you pay less NI contributions without affecting your income tax, so your take-home pay increases compared with making contributions not using Pensions Plus.
- The Company also saves NI contributions and as a result will pay you a discretionary Pensions Plus Bonus of half of this saving as additional contributions into your pension. This is a discretionary contribution made by the Company and may be changed or stopped at any time.
- Pensions Plus is a salary exchange arrangement operated in the same way as MyCar or the Cycle To Work scheme. We will use your pre-exchange salary, which is known as your notional pay for the purposes of your salary review, bonus or other salary-related awards so they are not affected.

- We will also use notional pay, capped at its level as at 30 September 2019 (if your full time equivalent notional pay exceeds £35,000) for your Pensionable Earnings. Your AVCs will be calculated as a percentage of your uncapped notional pay.
- Your other Company benefits are not affected by Pensions Plus.
- Your State Pension will not be affected provided your pay remains above the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year).
- Participation represents a change in your terms and conditions of employment as your salary will be reduced by an amount equal to your AVCs through Pensions Plus.

All AVCs, whether they are 'in house' or to a 'commercial arrangement', will automatically be paid through Pensions Plus unless you choose not to participate. You can still change the level of AVCs you pay through Pensions Plus and you can also decide not to participate at any time. If you choose not to participate please note that you will not benefit from any NI savings or the Pensions Plus Bonus from the Company.

Note: Reference to 'Company' means Prudential Distribution Limited, M&G FA Limited or any other associated company or employer that offers you membership of the Scheme through your contract of employment.

How does Pensions Plus work?

Pensions Plus does not change your scheme membership; it's simply a more efficient way of making pension contributions.

You and the Company pay NI contributions on your gross salary. If you pay AVCs to the Scheme without using Pensions Plus, any AVC contributions you pay would be taken from your salary after your NI contributions have been deducted.

However, with Pensions Plus, instead of paying AVCs directly to the Scheme, you elect to give up an amount of salary that is equivalent to the AVC you wish to pay. In return, the Company will pay a contribution to the Scheme equivalent to the amount of salary you gave up, on your behalf. NI contributions are then deducted from your lower salary. That way, both you and the Company save on NI contributions.

This is how it works:

1. You stop making AVCs directly from your pay.
2. The Company reduces your gross salary by an amount equal to your AVCs.
3. The Company then pays an amount into the Scheme which is referred to as Pensions Plus contributions. This is equivalent to your AVCs. Additionally, a Pensions Plus Bonus that is equal to half of the Company's NI contribution saving is also paid.
4. You then pay less NI contributions, so your take-home pay increases (compared with if you paid the same AVC contributions without using Pensions Plus).

Below is an example of how the arrangement works for a member with a salary of £40,000 who is currently paying an AVC of £200 each month or £2,400 a year.

Without Pensions Plus	
Basic salary	£40,000
Member pays	
AVCs	£2,400
Contribution (NI payable on contribution)	£2,400
With Pensions Plus	
Notional pay	£40,000
Contractual base salary	£37,600
Company pays	
Pensions Plus contributions	£2,400
Pensions Plus Bonus	£181
Contribution	£2,581

This member's net pay increases by £318 per annum as a result of contributions being paid through Pensions Plus.

When you participate in Pensions Plus, the Company will reduce your gross salary by an amount equal to your AVCs. However, it will still maintain a record of your salary before Pensions Plus (known as your notional pay). Your notional pay will be used for any salary-related calculations, such as salary reviews, bonus and salary-related benefits (such as life assurance) so they are not affected by Pensions Plus. We will also use notional pay, capped at its level as at 30 September 2019 (if your full-time equivalent notional pay exceeds £35,000) for your Pensionable Earnings. Your AVCs will be calculated as a percentage of your uncapped notional pay. This will also be the amount used in any personal official letters issued by the Company on your behalf, eg mortgage letters or loan applications.

How much could you save?

The table below shows the estimated **annual** National Insurance saving and the discretionary Pensions Plus Bonus for AVCs paid in to the 'in house' or 'commercial arrangement' via Pensions Plus for the 2022/23 tax year based on a range of salaries and contribution levels:

Monthly AVCs	£100		£500		£1,000	
	NI saving (pa)	Pensions Plus Bonus (pa)	NI saving (pa)	Pensions Plus Bonus (pa)	NI saving (pa)	Pensions Plus Bonus (pa)
£15,000	£159	£90	£795	£452	-	-
£20,000	£159	£90	£795	£452	-	-
£30,000	£159	£90	£795	£452	£1,590	£903
£40,000	£159	£90	£795	£452	£1,590	£903
£50,000	£159	£90	£795	£452	£1,590	£903
£60,000	£39	£90	£195	£452	£617	£903
£80,000	£39	£90	£195	£452	£390	£903
£100,000	£39	£90	£195	£452	£390	£903

The rate of NI that you and the Company pay depends on how much you earn and the Pensions Plus Bonus is based on the rate of NI paid by the Company. The NI rates are currently:

Income	NI rate you pay	NI rate the Company pays
Below £9,100	0%	0%
Between £9,100 and £9,880*	0%	15.05%
Between £9,880* and £50,270	13.25%	15.05%
Above £50,270	3.25%	15.05%

*The £9,880 'Primary Threshold' will increase to £12,570 from July 2022.

This is why employee savings are proportionately lower in the examples above for a member earning over £50,000.

Who might not benefit from Pensions Plus?

Although most members will benefit from Pensions Plus, a small number may not for various reasons including:

- If you earn less than the Lower Earnings Limit of £6,396 a year for the 2022/23 tax year, you may see certain State benefits affected. If you earn below this level, you will be automatically excluded from Pensions Plus to make sure that you are not worse off.
- Although the Company has a commitment to pay at least the Living Wage, participating in a salary exchange arrangement may take your salary below this level. Your salary could also fall below the National Minimum Wage (NMW) by participating in Pensions Plus and any other salary exchange arrangements (also known as salary sacrifice). If this is the case, you will not be able to participate, as we cannot legally allow your salary to fall below the NMW.

The Company will undertake a monthly payroll check to identify any members who may fall below either of these thresholds. If you were to become affected, you would be automatically excluded from Pensions Plus at that point. If your circumstances change at a later time you can choose to participate in Pensions Plus by contacting the Scheme's Administration Team by telephone on 01245 673515 or via email to pspsdb@xpsgroup.com

Pensions Plus will not normally reduce Universal Credit, Working Tax Credits or Child Tax Credits. If you are in receipt of any of these and have any concerns, you should call the Universal Credit or Tax Credit helplines (see [page 7](#) for details) for advice on whether it might impact your credits, as these are based on personal circumstances.

If you are in receipt of other State benefits, you should check with the relevant authority to understand any impact there may be on those benefits.

If you do not pay AVCs to the Scheme, you are not affected by any of these issues.

Do I need to take any action?

If you wish to start paying AVCs or you would like to change your current level of AVCs, the appropriate form and more information is available from the Scheme Website at www.prudentialstaffps.co.uk

Contributions

Why is the Pensions Plus Bonus discretionary?

This is discretionary as it is important that the Company reserves the right to change or remove it at any time. In the future, we will continue to monitor the appropriate legislation and decide if Pensions Plus is still the most effective way to pay contributions. The Company also reserves the right to remove the Pensions Plus arrangement at any time.

State benefits

Will Pensions Plus affect any State benefits I receive?

Pensions Plus increases net take-home pay when compared to making pension contributions without Pensions Plus. However, if participating in Pensions Plus reduces your salary to below the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year), State benefits and your build-up of State Pension could be affected. This would typically only be relevant for someone working part-time whose earnings were consequently around this level. If we are aware that participation might impact your State benefits we will advise you and automatically exclude you from Pensions Plus.

Your pension contributions will then be made direct from your pay without using Pensions Plus.

Will it affect Universal Credit, Working Tax Credits or Child Tax Credits?

Means-tested benefits such as Universal Credit, Working Tax Credits and Child Tax Credits should not be affected by participating in Pensions Plus. Rules for claiming benefits are based on wider personal circumstances than just your salary. For further information on tax credits you can contact the Universal Credit helpline on 0800 328 5644 or the Tax Credit helpline on 0345 300 3900.

Company benefits

Does Pensions Plus affect any non-pension benefits?

None of your earnings-related benefits (eg. life assurance cover) will be affected. All your non-pension benefits will be based on your notional pay (ie the amount you earn before you participate in Pensions Plus). Salary reviews and, where relevant, bonuses will also be based on your notional pay.

How will Pensions Plus affect my Scheme pension benefits when I retire?

Pensions Plus will not affect your Scheme benefits. In fact, because the Company is sharing some of its NI savings with you, if you pay AVCs through Pensions Plus then you will get more AVCs paid into your AVC fund by participating.

How does Pensions Plus affect paid leave?

Statutory Maternity Pay and Statutory Redundancy Pay are based on your actual earnings, and could be reduced in some circumstances if you participate in Pensions Plus. However, the Company will use notional pay and also top up statutory payments (known as Maternity pay top up and Redundancy pay top up) where relevant. This means you will receive the same level of benefit you would have had before participating in Pensions Plus.

Tax and personal finances

Will paying contributions via Pensions Plus affect the amount of income tax I pay?

No. Based on current law and HMRC practice, there will be no change to your UK tax position as tax relief already applies to any AVCs you pay, within HMRC allowances.

How will Pensions Plus affect my ability to borrow money?

To make sure that the maximum amount you can borrow – for example, on a mortgage – is not reduced, you should usually give your notional pay. Please check with your lender, but many organisations are familiar with salary exchange schemes like Pensions Plus and will typically consider your take-home pay when working out if you can afford your loan. Your take-home pay will increase with Pensions Plus but if your lender is not familiar with the concept, you can choose not to participate.

Will it affect any payments that I am obliged to make?

If you have a County Court Judgement or similar, it should not be affected by Pensions Plus. However, where the order is explicit about the definition of pay to be used, the impact of Pensions Plus should be noted. If you are unsure, please seek legal advice.

Changes to salary, pension contributions and Share Incentive Plan limits

What happens if my salary changes?

A change in salary will only affect your ability to participate in Pensions Plus if your contribution takes you below the National Minimum Wage (for over 25s that is £17,290 a year based on a 35-hour week for the 2022/23 tax year) or the Lower Earnings Limit (explained above) after Pensions Plus and any other salary exchange arrangements have been taken into account.

How will 'Pensionable Earnings' for pension purposes be affected by Pensions Plus?

Pensionable Earnings will be based on your notional pay, capped at its level as at 30 September 2019 (if your full time equivalent notional pay exceeds £35,000), so that your defined benefit pension benefits are not affected by Pensions Plus.

Can I make changes to the level of AVCs I pay through Pensions Plus?

Yes you can. If you want to change the level of AVCs you pay you will still be able to do this under Pensions Plus. The appropriate form and more information is available from the Pension Scheme Website at www.prudentialstaffps.co.uk. Alternatively, you can contact your Scheme's Administration Team by telephone on 01245 673515 or via email to psspsdb@xpsgroup.com

Are there limits to the amount I can contribute through Pensions Plus?

You can contribute as much as you like, as long as your pay, after taking part in Pensions Plus and all other salary exchange arrangements such as MyCar or the Cycle To Work scheme, does not fall below the National Minimum Wage. If participating in Pensions Plus reduces your pay to below the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year), you could lose State benefits which may not be in your best interests. This would typically only be relevant for someone working part-time whose earnings were around this level.

The Company will not be able to add you to the Pensions Plus arrangement if participating reduces your pay below the National Minimum Wage or Lower Earnings Limit.

There is a maximum amount of pension savings, which attracts tax relief each year, known as the Annual Allowance, and it is £40,000 for the tax year 2022/23. (Please note, if you are a high earner or you have 'flexibly accessed' any Defined Contribution funds from any of your pension arrangements on or after 6 April 2015, your Annual Allowance may be reduced). If you exceed this amount, you'll be subject to an Annual Allowance tax charge (though you may be able to roll forward unused allowance from previous years). You must take account of the Pensions Plus Bonus and Pensions Plus contributions as well as the value of benefits accruing in the Scheme when working out your total annual pension savings to compare with the Annual Allowance. Further details on tax-free allowances are available in the Member Booklet and can be viewed from the Documents page on the Scheme website at www.prudentialstaffps.co.uk or you can visit www.hmrc.gov.uk

Can I make one-off payments through Pensions Plus?

Yes. You could choose to make a one-off lump sum payment (for example part of any bonus you receive) via Pensions Plus in the same way as you can currently via direct employee contributions. The appropriate form and more information is available from the Scheme Website at www.prudentialstaffps.co.uk

Alternatively, you can contact your Scheme's Administration Team by telephone on 01245 673515 or via email to pspsdb@xpsgroup.com

Will Pensions Plus affect the maximum amount I can contribute to a Share Incentive Plan (SIP)?

If participating in Pensions Plus reduces your salary (including all gross earnings) to below £18,000 a year, you would not be able to contribute the full £150 a month to a SIP (because this would mean you were contributing more than 10% of your salary).

Options on participation and future events

I don't currently pay AVCs. Can I take advantage of Pensions Plus later if I decide to contribute?

Yes. You will have the option to participate in Pensions Plus on the Application Form, which can be found on the Scheme's website at www.prudentialstaffps.co.uk

Can I choose not to participate in Pensions Plus?

When you apply to pay AVCs, on the Application Form, you can choose not to participate in Pensions Plus.

If you are already paying AVCs to either the 'in house' or 'commercial arrangements', you will continue to pay contributions as you always have. If you currently participate in Pensions Plus and then change your mind, you can stop at any time.

Is the amount of Pensions Plus Bonus paid into my pension likely to change?

The Company has chosen to share some of the NI savings it makes from members paying AVCs and participating in Pensions Plus. However, the Company may choose to reduce or stop this discretionary practice at any time. The Company also reserves the right to remove the Pensions Plus arrangement at any time.

If you have any questions about Pensions Plus, please contact HR via the People Hub.

Making pension contributions through Pensions Plus is expected to be beneficial to you because it increases your net take-home pay when compared to making pension contributions without Pensions Plus, based on our understanding of current legislation and tax rules. However, you should consider the effect of Pensions Plus on your own personal circumstances and, in particular, on any entitlement to tax credits or State benefits that you may receive, as the Company does not take responsibility for any adverse effect that Pensions Plus may have on your own circumstances. The Company cannot offer advice on your decision whether or not to participate in Pensions Plus.

This guide gives you an overview of how Pensions Plus, a salary exchange arrangement, operates based on our understanding at the date of publication. The guide does not confer any entitlement to benefits and full details of the Scheme can be found in the Trust Deed and Rules. If there are any differences between this guide and the Scheme Trust Deed and Rules, the Trust Deed and Rules take precedence.

Participation in Pensions Plus, and any amendments to your contract of employment, is subject to the approval of the Company at all times. There is no need for you to sign a new contract. By electing to and/or continuing to participate in Pensions Plus, your contract of employment will be amended. Unless you choose not to participate in Pensions Plus, you will be deemed to have agreed to this change. The Company reserves the right to change the terms and conditions of the Pensions Plus arrangement and may change or remove the Pensions Plus Bonus at any time.

Please be aware that the Income Tax and National Insurance treatment of pay and benefits is subject to change over time and the Company must comply with any statutory HMRC changes. You will be paid and taxed for any benefits according to the HMRC legislation that applies at the time.

