



# Nest webinar

**Salary sacrifice – what it is, and does it work for your employers?**

**Tips for using Nest**

**Pension industry changes**

# Agenda

## Practical tips

- 1 Salary sacrifice – what it is, and does it work for your employers?
- 2 Tips for using Nest

## Pension industry changes

- 3 Regulations update
- 4 Extension of auto enrolment

## Housekeeping

- › Time for questions at the end of the presentations, please type any questions in the Q&A box.
- › Please fill out the feedback form.
- › Slides and recording will be sent out after the event



# Salary sacrifice

# What is it?

- Employees give up part of their salary (i.e. the amount they would normally pay as a personal contribution)
- You use that to pay their pension contributions

## Why?

- As salary is reduced the employee pays less tax and National Insurance
- Employer also saves on their National Insurance contributions



# National Insurance rates

2023/24 (Class A)

## Employees:

**12%** on earnings above Primary Threshold to Upper Earnings Limit (i.e. £12,570 p.a. to £50,270 p.a.)

**2%** on earnings in excess of £50,270 p.a.

## Employers:

**13.8%** on earnings in excess of £9,100 p.a. (secondary threshold)

**Changing for 2025/26 to 15%** on earnings in excess of £5,000 p.a.

# Savings

## National Insurance

Assume employee is paying 5% of Qualifying earnings

### Employer saves:

- › If earning £23,000 = £115.56 per annum saving
- › If earning £25,000 = £129.48 per annum saving
- › If earning £27,000 = £238.80 per annum saving



# Does it work for your employers?

Cannot include an employee if the sacrifice takes the employee below the National Minimum Wage

Reducing salary may affect the employee's entitlement to state benefits or their ability to take out a mortgage or loan etc.

You should also think about other employer provided benefits – e.g. life assurance where it is a multiple of salary

## Practical considerations

- › Does your payroll cope with salary sacrifice?
- › Employer may need to change contracts of employment
- › Dealing with those who don't qualify for, or don't want to use, salary sacrifice
- › Additional payments by employees, salary sacrifice or not?
- › Will the employer use their National Insurance saving for the benefit of employees – e.g. increased pension contributions?

Salary sacrifice contributions are deemed employer contributions, therefore when submitting contributions to Nest all contributions for these employees must go in the employer contribution field



# Links

## Nest

How to set up salary sacrifice [Salary sacrifice | Nest pensions](#)

General information [Salary sacrifice \(nestpensions.org.uk\)](#)

121 help email [events@nestcorporation.org.uk](mailto:events@nestcorporation.org.uk)

## HMRC

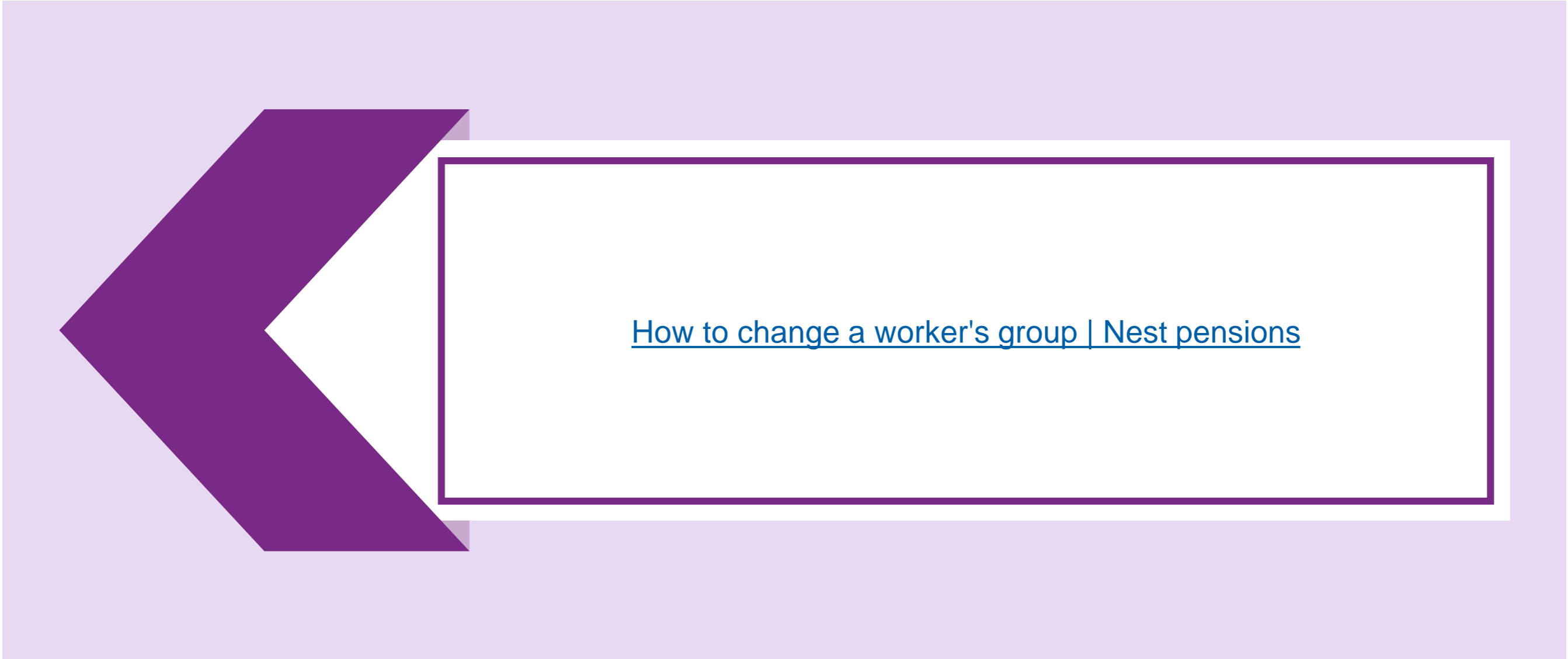
[Salary sacrifice for employers - GOV.UK \(www.gov.uk\)](#)

## Money & Pensions Service – MoneyHelper

[Salary sacrifice and your pension | MoneyHelper](#)

# Moving members between groups

# Help centre video



# Pension industry update

# Automatic Enrolment Thresholds – 2025/26

## Earnings Trigger

£10,000. Unchanged

## Qualifying Earnings Band

£6,240 – £50,270. Unchanged

# Extension of auto-enrolment (AE)

Pensions (Extension of Automatic Enrolment) Act 2023 gives the Secretary of State the power to extend AE to jobholders under the age of 22 (likely to 18) and lower the qualifying earnings threshold (likely to £0)

The 2017 DWP review of AE identified these two points as important changes and a commitment was made to implement them by the mid-2020s

The timetable for changes is not yet known.

Consultation on the implementation approach delayed

There will be a statutory requirement to consult again before using these powers

# What we are expecting this year

## Pension Schemes Bill

Addressing the challenge of deferred small-pots

- Measures to prevent people from losing track of their pension pots through automatic consolidation.

Decumulation services (the process of spending pension pots gradually in retirement)

- Measure that will require pension schemes to provide default, automatic decumulation options

**Note: Quite a long journey before the Bill becomes an Act, so no immediate changes expected in 2025.**

QA





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