



Nest webinar – Salary sacrifice

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Stuart Earle – Partner at Eversheds Sutherland

Agenda

Practical tips

1 Salary sacrifice

2 Tips for using Nest

Understanding the legal points

3 Contractual points to consider implementing salary sacrifice

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

John Hale

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 National Insurance
- › Employer also saves on their National Insurance contributions



National Insurance rates

2025/26 (Class A)

Employees:

8% on earnings above Primary Threshold to Upper Earnings Limit
(i.e. £12,570 p.a. to £50,270 p.a.)

2% on earnings above £50,270 p.a.

Employers:

15% on earnings above £5,000 p.a.
(secondary threshold)

Savings

National Insurance

Assume employee is paying 5% of Qualifying earnings

Employer saves:

- › If earning £23,000 = £125.64 per annum saving
- › If earning £25,000 = £140.64 per annum saving
- › If earning £27,000 = £155.64 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

HMRC

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

Money & Pensions Service – MoneyHelper

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

Moving members between groups

Gary Ball

Creating a new group

Welcome to your NEST home

You have been assigned the role of full access delegate. You can view all areas but can only perform tasks assigned to this role. You can find out about different delegate roles in the [help centre](#).

Your NEST home is your personal area where you can manage your account.

From here, you can enrol workers and manage your contributions, payment sources and groups. You can also manage your delegates and access your secure mailbox.

You seem to have another account with the same email address. To help you manage multiple accounts we can merge them if they're set up under different employers. Merge under the same employer is not allowed. Would you like to [merge accounts now?](#) This means you'll only need one username and password.

Manage contributions

View and correct paid schedules as well as deal with due or overdue payments.

You can also tell us about any opt-outs and leavers and move workers between payment sources or groups.

Manage workers

Enrol workers and view or edit their details.

You can also view any inactive workers.

Mailbox (0)

Keep track of communications with NEST in your secure mailbox.

You can also send us messages and view archived messages.

Manage delegates

Delegate access to one or more people and decide what they can do.

Manage payment sources

View, add or change payment sources.

Manage groups

View, add or change groups or delete groups you're no longer using.

Manage secure file transfer

Use secure file transfer to send us large enrolment or contribution files.

Organisation details

Manage the information we hold about your organisation.

Manage your security details


Manage the security details for this account.


Would you like to set up a new employer?


[Add a new employer](#)

[Back to my home](#)

Groups of workers

 Find groups

 Add another group



My group

Active

Earnings basis:

Qualifying earnings

Employer contribution:

3.0%

Employee contribution:

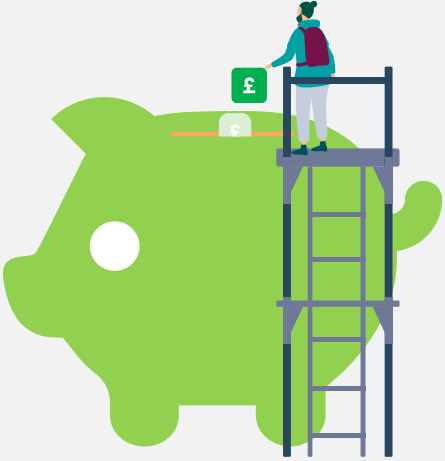
5.0%

Payment frequency:

Monthly

Create a copy

Manage group



Create a new group

Set up a group

Please tell us how you'd like to contribute for the workers you'll enrol into this group

Please fill in all fields marked with an asterisk *

Group name, contribution rates and earnings basis.

When you enrol your workers into NEST you'll need to put each one into a group. Now you need to choose a name for your groups or you can use the default name if one is supplied. Your worker group names could be seen by your workers and also may be needed in your payroll software or by your payroll provider, so bear this in mind when choosing a name.

Worker group name *

Contribution level *

What are the contribution levels?

Earnings basis *

What are the earnings bases?

Contribution rates for the selected options

If you choose **Custom** contribution level and **Qualifying earnings**:
You can edit the contribution rates as long as you do not go below the minimum requirements.
Check the [minimum rates you must pay for Qualifying earnings](#).

Contribution rates	Your contribution	Worker's contribution*
From 01 Oct 2018	<input type="text" value="8.0"/> %	<input type="text" value="0.0"/> %

3. Payment due date: *
When will NEST receive contributions for this earnings period.

☐ A number of days after the end of the current earnings period

☒ A particular day

The latest you can set your payment due date is the 22nd of the month following your normal pay day.

You must submit contributions at least five working days before the payment due date.

Choose a date that works best for your organisation. This will be the last date by which your contributions for this group of workers need to have reached NEST and cleared in our account. Different payment methods have different processing times so make sure you leave enough time for the payment to clear.

If your payment hasn't cleared in our account by the payment due date it'll be treated as a late payment and we may report you to The Pensions Regulator.

Please check with your bank if you're unsure of processing times for your payment method.

Based on your selection NEST will receive contributions for the current earnings period on: **22nd July**

If this date isn't suitable please make an alternative selection from the options above.

Cancel

Next

Moving workers to a new group

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Moving workers to a new group

 View inactive workers

 View upload history

Show me:

All payment sources

All groups


All enrolment types

☐ no NI number

Last name

NI number

Alt. ID


Apply filter 







2 workers

☐ Select this page

☒ Select all workers from a group

Change group

 Download results

Name 	Enrolment date 	Opt out expiry date 	Enrolment type	Payment source	Tax rate for calc. tax relief 	Group	View/Edit
<div><input type="checkbox"/></div> <div>Lucy Purple</div> <div>AC 14 25 36 C - AC142536C</div>	21 Mar 2025	25 Apr 2025	Auto enrolment	My source	UK	My group	
<div><input type="checkbox"/></div> <div>John Green</div> <div>AB 12 34 58 C - AB123458C</div>	21 Mar 2025	25 Apr 2025	Auto enrolment	My source	UK	My group	

Moving workers to a new group

Move workers between groups



Changing a worker's group can have an impact on contribution schedules, for example, workers could move to another schedule. It may take up to 2 hours for these changes to appear in contribution schedules.

Please choose the group you want to move:

From

My group

To

Salary Sacrifice

Tell us when you want this change to take effect. You can choose any date up to one month from today.

When you've selected the date click *Move workers*.

Please don't make any changes to the groups of these workers until the schedule they're in has been processed.

Change workers to new group on:

19/06/2025

Please check your selection

From	To	On
My group (2 workers)	Salary Sacrifice	19 June 2025

Cancel

Move workers

Help centre video



[How to change a worker's group | Nest pensions](#)

Understanding the legal perspective

Stuart Earle



Stuart Earle

Partner

Eversheds Sutherland

- Stuart Earle is a partner at the international law firm, Eversheds Sutherland.
- He has over 20 years' experience advising trustees and employers across all forms of pension schemes and benefit arrangements.
- He regularly advises employers on contractual and tax issues as well as regulatory compliance in relation to benefit structures and remuneration packages.

What is salary sacrifice?

“An agreement between an employer and employee in which the employee gives up their entitlement to part of their future remuneration in exchange for the employer providing them with a non-cash benefit.”

What can be sacrificed?

- Salary
- Contractual bonuses
- Redundancy payments
- Termination payments

In exchange for pension contributions which are paid by the employer

	Salary	Employee contribution	Employer contribution
Pre-salary sacrifice	£20,000	£2,000	£2,000
Post-salary sacrifice	£18,000	-	£4,000

How to create a valid salary sacrifice arrangement

What constitutes a valid salary sacrifice arrangement?


HMRC requires:

- › The employment contract must be effectively varied so the employee gives up the right to receive the relevant amount of wages / salary before employee becomes entitled to receive it
- › The true construction of the revised contract must be that employee is entitled to lower cash remuneration plus a benefit

If the salary sacrifice is not valid:

- › The employee will remain taxable on the higher level of cash remuneration (with the result that there will be no NIC saving); and
- › The pension contributions that were the subject of the failed salary sacrifice will be treated as member contributions, not employer contributions.

What does this mean in practice?

- 
- Rewriting the contractual terms in part or whole for current employees
 - Setting out agreed changes in a separate document attached to the contract
 - Employee communications before implementing any changes
 - Ensuring salary sacrifice terms are in place for new employees
 - Opting in / opting out
 - Enrolment in the pension scheme cannot be dependent on salary sacrifice

How to effectively modify existing contract terms

Opt-in process – “express consent”

- This requires individual employees to actively choose salary sacrifice
- Employees are required to complete forms or sign agreements to vary existing contractual terms
- Entirely dependent on employee engagement

Opt-out process – “implied consent”

- The most common approach to introduce salary sacrifice for pension contributions
- Leads to increase take-up
- Communications with employee to explain the proposals
- Details to explain how salary sacrifice works and what this means to salary
- Reasonable timeframe within which employees can choose to opt-out
- Consent to the change of terms is implied by making the changes and no objections raised by the individual employee

Can employees change their mind?

Employees should not be able to ‘swap’ between cash earnings and non-cash benefit whenever they wish

-

- This would prejudice the effectiveness of the change in contract terms

Employees can have the option to ‘opt-out’ with employer agreement where there is a “lifestyle” event -

- Marriage
- Divorce
- Partner becomes unemployed
- Parental leave
- **Address these scenarios in a Salary Sacrifice Policy**
- **Consider aligning with an annual “flexible benefits” timetable**
- **Monitor compliance with National Minimum Wage / statutory pay levels**

Documentation to make the changes

- **Clear employee communications to explain the change and impact on salary**
- **Formal notification of a change to terms and conditions of employment**
- **Detailed explanation of how employees can choose to “opt-out” of salary sacrifice**
- **Revised “new joiner” contract terms**
- **Remember to also review and update:**
 - Staff handbook (or equivalent)
 - Relevant policies – including family leave policies
 - Payroll processes and forms

Key points to be aware of



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