



# Think SMART

for the Aegon (formerly BlackRock) Pension Plans

Information for Managers and Staff

Updated November 2018



# Think SMART

For members of the Aegon Pension Plans, SMART describes the way in which payments are made into the Plan. For most members, SMART reduces National Insurance (NI) costs and increases take-home salary.

SMART also provides the Company with a significant saving in employer NI costs and this supports its drive to enhance business performance.

This guide explains how SMART works and provides answers to some common questions about this way of making payments into your Plan. It also gives you information to help you assess whether you are one of a small number of members who may not benefit from SMART, in which case you should consider opting out.

## IMPORTANT NOTE!

Please note that all amounts shown in this booklet are correct for 6 April 2018 and are subject to change.

The financial information included in this booklet is for general guidance purposes only. If you are in any doubt about the financial implications for you of participating in SMART, you should seek the advice of a qualified Independent Financial Adviser.

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## Tax and Aegon Pension Plans

For those not participating in SMART, the Aegon Pension Plan contribution comes from net pay, i.e. after tax and other deductions have taken place. Aegon receives the contribution and is able to reclaim the tax paid on your behalf. However, it can only reclaim tax at the lower rate of 20%. So for example if the contribution that went into your plan was £100, £80 would be from net pay plus £20 tax relief claimed by Aegon.

A higher rate and additional rate taxpayer can get back the difference between the 40% / 45% tax and the 20% that the Aegon pension reclaims, by making a claim through self-assessment.

## How SMART works

SMART is not a pension plan but a change to the way pension contributions are made. It's simply a more effective way of paying into your Aegon Pension Plan.

Under SMART, you will not be required to make an employee contribution into your Aegon Pension Plan. Instead, and in addition to their normal contribution, the Company will make a SMART contribution into your Aegon Pension Plan.

To compensate the Company for this, your gross pay will be adjusted by the gross amount that you used to pay into the plan (£100 in the example above - £80 contribution from net pay plus £20 tax claimed by the provider) by means of salary sacrifice.

The total amount being paid into your Aegon pension will be the same under SMART as it would be if you were not in SMART.

As your Contractual Base salary is reduced under SMART, you pay lower NI contributions and your take-home salary is higher under SMART than it would otherwise be.

*Examples to explain how this works are on Page 4.*

## Other salary-related benefits

Although your Contractual Base salary is reduced under SMART, the Company keeps a record of your Basic Salary i.e. before taking account of your adjustment for SMART. This figure is held on the HR system and shown on your payslip.

Any future salary increases and all other salary-related benefits, such as bonus, commission or overtime, are calculated with reference to your Basic salary and are not affected by SMART in any way.

Similarly, mortgage reference letters will refer to your Basic Salary and SMART does not affect the amount of any mortgage you may take out.

## National Minimum Wage

Employees participating in any salary sacrifice schemes must maintain their salary above the minimum hourly wage of £7.83 as at April 2018 (for those aged 25 and over). If your Contractual Base salary is less than the National Minimum wage you will not be permitted to participate in SMART.

## Saving for members

The saving for members from participating in SMART depends on your salary and the payment you make into your Aegon Pension Plan.

## Saving for the Company

Don't forget that, by participating in SMART, you will also be helping the Company to save costs.

## Income Tax

If you opted out of SMART, your contributions to the Aegon Pension Plan are collected from net salary, after basic rate tax has been taken off. Aegon will then reclaim the basic rate tax and credit it to your pension account. A higher or additional rate taxpayer would have to reclaim the extra 20% or 25% (the difference between their tax rate and 20%) tax relief via a self-assessment tax return.

However, if you are a member of SMART, contributions to the Aegon Pension Plan are made following the adjustment of your gross pay.

Therefore, under SMART you automatically and immediately receive tax relief at your highest rate.

## Additional payments to your Aegon Pension Plan

SMART only applies to your regular contributions to your Aegon Pension Plan made through Payroll. If you chose to pay irregular pension contributions, these are not included in SMART and not made through Payroll.

## What do I have to do?

If you are a new member of the Aegon Pension Plan, you will be automatically enrolled in SMART unless you opt out. So, if you want to be in SMART, you do not need to do anything.

Please note that by participating in SMART pensions you will be agreeing to a change to your terms and conditions of employment. You will be deemed to have committed to this change unless you have returned a completed opt out form to your HR representative, and you continue without objection after the change has taken place.

## Switching your payment option

If you are included in SMART when you first join the Aegon Pension Plan, you may opt out at a later date. Similarly, if you decide not to participate in SMART, you can opt in at a later date. This will be subject to the discretion of the Company.

If you do not participate in SMART, the amount you pay into your Aegon pension plan is deducted from your net salary, after tax and other deductions has been taken off and paid directly to your pension Plan. You can change your payment option by completing either a SMART opt-out form or a SMART opt-in form. Both forms are available from *You & Xerox*. Please speak to your HR representative if you are not able to access the Intranet and need a hard copy.

## Aegon Pension Plan

Full details of how much you can pay into your Aegon Pension Plan and how much the company contributes to your plan can be found on the Xerox Pensions website [www.xeroxpensions.co.uk](http://www.xeroxpensions.co.uk).

Aegon will send all new starters a detailed pack. However, if you need a further copy, please contact Aegon on **0345 601 7721** or email [my.pension@aegon.co.uk](mailto:my.pension@aegon.co.uk).

## Member National Insurance Contributions (NIC) savings

The NIC savings under SMART depend on your base salary and your contribution into your pension. The following table illustrates the annual NIC savings at various salary levels as at April 2018, assuming that the member chose a 4% contribution level:

Annual salary	Annual member saving
£10,000	£48
£20,000	£96
£30,000	£144
£35,000	£168
£40,000	£192
£45,000	£216
£55,000	£44

**Note:** Employee's NI contributions reduce to 2% when your salary exceeds the NI Upper Earnings Limit (UEL), which is £46,350 a year for 2018/19.

If you currently earn more than £46,350 you will save National Insurance at 2% under SMART, while those earning less than the UEL will make savings at the higher rate (12% for 2018/19 for members of the Aegon Pension Plan).

## EXAMPLE

The following example shows your NIC savings if you pay into the Aegon Pension Plan through SMART. The example uses a Basic Salary of £20,000 a year and a 4% employee pension contribution to Aegon. By participating in SMART, the NIC saving in this example is **£96 a year**. The total level of pension contributions going into the plan is the same as if you are in SMART or if you opt out. This is because it is calculated using your Basic Salary i.e. before taking account of a SMART adjustment.

Option (Contribution of 4%)	In SMART	Opted Out
Basic Salary (a)	£20,000	£20,000
SMART adjustment (b) = a x 4%	£800	–
Salary (after SMART Adjustment (c))	£19,200	–
Annual NICs (d) = Salary minus PT* x 12% NIC	£1,293	£1,389
<b>Annual Employee NIC saving</b>	<b>£96</b>	

\*PT = Primary Threshold, the point you start paying NICs on earnings (2018/19 £8,424).

## How SMART affects other benefits

If you leave the Company you will not receive a refund of contributions paid into your Aegon Pension Plan, by the company under SMART.

These will remain with Aegon until you retire or transfer them elsewhere.

## State Benefits

SMART does not affect your entitlement to the State Pension.

Entitlement to other State benefits, such as statutory sick pay, incapacity benefit and job seekers allowance, is based on the amount of pay subject to NI contributions.

- If you currently earn over £6,032 a year, your entitlement to these State benefits will not change even though you will be paying lower National Insurance contributions as a result of participating in SMART
- If you currently earn less than £6,032 a year, your entitlement to these State benefits could be affected by participating in SMART and you should, therefore, consider opting out.

Statutory Maternity, Pay and Statutory Adoption Pay is calculated based on pay subject to NIC and is therefore reduced slightly for participants of SMART. However, the company will top this up to ensure that you do not lose out. Statutory Paternity pay will not be affected by participating in SMART.

## Who should consider opting out of SMART?

Although SMART is designed so that most members of the Aegon Pension Plan will benefit from participating, there are a small number of employees who should consider opting out. These are:

- **All employees earning less than £6,032 a year**  
If you are in this category, your entitlement to certain State benefits could be affected by participating in SMART and you should consider opting out.  
  
If you switch from fulltime to part-time working and your salary falls below this level, you may also want to consider opting out of SMART.
- **Members who earn around £18,000 a year who want to pay the maximum amount of £1,800 a year to the Xerox Share Incentive Plan (SIP)**  
If you are in this category, please see *Your questions answered* opposite.
- **Members who are already taking up Child Care Vouchers (CCV) and / or participate in the Holiday Purchase Scheme**  
If you are in this category, please see *Your questions answered* opposite.

## Your questions answered

### *How long will SMART last?*

SMART is a well established salary sacrifice scheme that has been in place at Xerox since 2004. However, if tax, NI or Pension law changes, or it is not viable for the Company to operate this scheme, SMART can be amended or withdrawn at the sole discretion of Xerox, without being replaced.

If this did happen, your Base Salary would be reinstated on the pre-SMART basis and pension contributions would be deducted from your salary and paid directly into your Aegon pension. However, you would not have to pay back any of the additional take-home salary you received as a result of the reduction in your NI contributions from participating in SMART.

### *If I participate in SMART and so am, in effect, a “non-contributory” member of the Aegon Pension Plan, will I rank lower amongst the creditors if it was ever wound up?*

No. In the unlikely event of Aegon ever being wound up, members who participate in SMART and members who opted out would be treated in exactly the same way.

### *I am considering taking up Child Care Vouchers (CCV) / or participate in the Holiday Purchase Scheme, does this affect whether I participate in SMART?*

Employees participating in both CCV / Holiday Purchase scheme and SMART must maintain their salary above the National Minimum Wage and above £6,032 a year. If this is not the case, you should consider opting out of these schemes or reduce your CCV to a level which maintains your salary at above these limits.

### *How will I see the pension contributions on my payslip?*

On your payslip, depending on which section of the Aegon Pension Plan you are a member of, the payment into your Aegon Plan under SMART, is referred to either as the **PAE SHP SMART Scheme, Stakeholder (SMART Adj)** or **SHP Main Plan (SMART) EE**.

### *How do I know that the Company will actually make the payment into my Aegon Pension Plan under SMART?*

There is a requirement for the Company to pay over all pension contributions by the 22nd of the month following the month to which the contributions relate.

### ***I earn more than £46,350 (2018/19 UEL) before a SMART adjustment. Why should I stay in SMART?***

Although you make a small saving in NI contributions yourself by participating in SMART, there is also a saving for the Company. Anything which benefits the financial strength of the Company, benefits all employees; we hope that you will still participate in SMART.

However, as a higher rate tax payer, you may also be able to see immediate significant Tax savings by participating in SMART. Please see the example on page 4.

### ***How will SMART affect the Xerox Share Incentive Plan (SIP)?***

SMART may reduce the maximum which can be saved each month under the SIP for a small number of employees. The maximum which can be used to buy shares in the SIP is the lower of:

**£150 per month, or 10% of taxable salary  
(before deducting pension contributions)**

If you are in this position, you can either participate in SMART or accept the limit on the maximum amount that you can use to buy shares under SIP or opt out of SMART so you can pay marginally more into the SIP.

### ***Can I make additional voluntary contributions to my Aegon Pension under SMART?***

The amount you decide to sacrifice through the Payroll and regularly contribute into your Aegon Pension Plan will be made using SMART.

#### **Further information**

If, after reading this booklet, you have any questions about SMART, please contact your Human Resources Representative.