

MMC UK PENSION FUND – PAYSMART

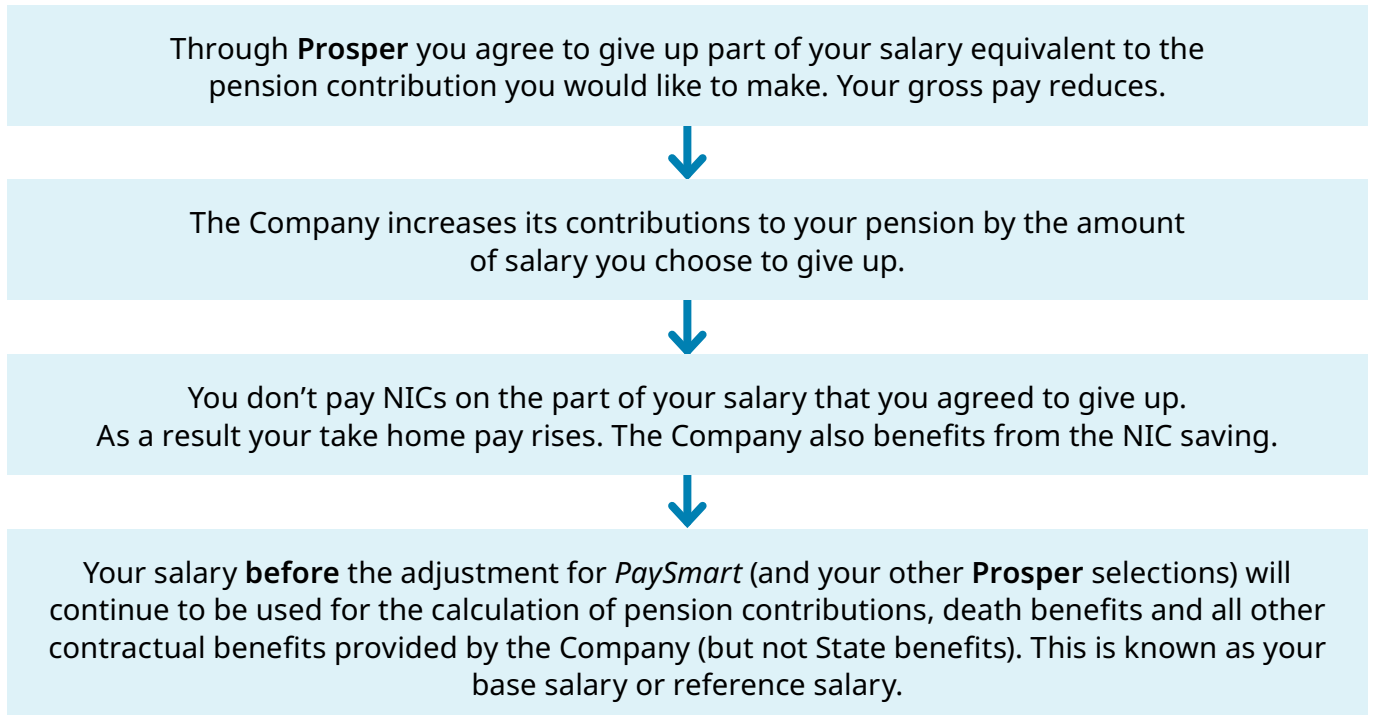
UNDERSTANDING PAYSMART



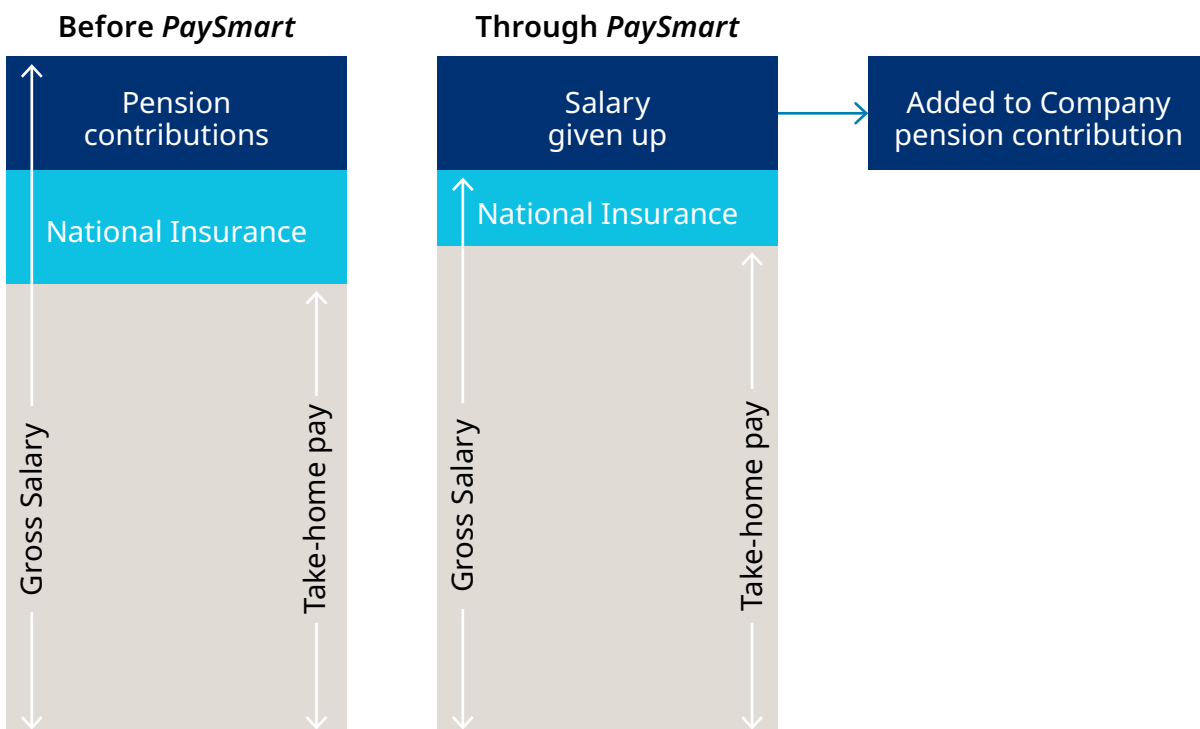
PaySmart, also known as salary sacrifice, is a way to increase your take-home pay by reducing your National Insurance Contributions (NICs).

PaySmart allows you to pay contributions into the MMC UK Pension Fund - DC Section (the Fund) by giving up part of your salary through **Prosper**, the Company's flexible benefits scheme. By choosing *PaySmart*, your gross salary will be lower but your take-home pay will be higher (if you are below State Pension Age).

The amount of money being paid into the Fund does not change and your pension benefits are unaffected. Here is how it works.



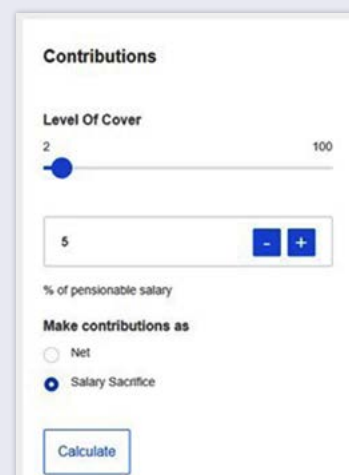
The diagram below shows how, by opting for *PaySmart*, your gross pay is lower, but your take-home pay is higher.



How do I choose PaySmart?

PaySmart is the default option, so if you don't make a choice, you will automatically be included in *PaySmart*.

You can opt out of *PaySmart* at any time by visiting the MMC UK Pension Fund page in the Benefits Section in **Prosper**, choose *Net* instead of *Salary Sacrifice* and click on the 'Confirm' button.



The screenshot shows the 'Contributions' section of the Prosper website. It features a 'Level Of Cover' slider ranging from 2 to 100, currently set at 2. Below the slider is a text input field containing the number '5', with minus and plus buttons on either side. Underneath, it says '% of pensionable salary'. There are two radio buttons: 'Net' (unselected) and 'Salary Sacrifice' (selected). At the bottom, there is a 'Calculate' button.

Who is eligible?

Any contributing member of the Fund can join *PaySmart* if they are eligible to participate in **Prosper**, unless the *PaySmart* salary adjustment together with their other **Prosper** selections would take earnings below £13,500 a year (or the part-time equivalent) to ensure earnings do not fall below the National Living Wage (2022/2023 levels).

If this applies to you, the default will be *PayDirect* and you will not be able to select *PaySmart* on the **Prosper** website.

What contributions are covered?

If you select *PaySmart*, you will give up salary equal to the pension contributions that you select under **Prosper**. You will give up:

- Your Defined Contribution (DC) core contribution rate of 2%, plus
- Any optional contributions you choose to pay to the Fund.

How much money will I save?

You will save the amount of NICs that would otherwise be paid on the salary you choose to give up. The rate of NICs normally payable depends on your gross salary.

To give you an idea of the potential increase in your annual take home or net pay through *PaySmart*, the table below shows some example savings.

ANNUAL INCREASE IN NET PAY THROUGH PAYSMART		
CONTRIBUTION RATE	GROSS SALARY BEFORE CHOOSING PAYSMART OPTION	
	£30,000	£60,000
2%	£79	£39
3%	£119	£58
4%	£159	£78

All figures in the table and the worked examples are based on income tax and NIC rates for the 2022/2023 tax year.

If you earn above the Upper Earnings Limit (£50,270 in 2022/2023 tax year) the saving you can make through *PaySmart* will be lower, as you pay NICs at the rate of 2% on earnings above this level (the rate is 12% below this level). However, by using *PaySmart* you will help the Company control operational costs, as the Company will also pay reduced NICs.

What happens if...?

I am off sick?

Choosing *PaySmart* will have no effect on your sick pay.

I take unpaid leave?

If you are not being paid there won't be any NICs for you to save. If your temporary absence is approved, when you return to work your participation in *PaySmart* will continue as before.

I go on maternity / family leave?

The Company will pay your pension contributions in full during paid leave in line with Government recommended guidelines. You will continue to build up benefits in the normal way and continue to have the opportunity to benefit from the National Insurance savings on your pension contributions.

I go on shared parental leave?

The Company will pay your pension contributions in line with the policy of your MMC Operating Company. Whilst pension contributions are being deducted, your participation in *PaySmart* will continue as before.

The small print

By participating in *PaySmart* and agreeing to give up part of your salary under **Prosper**, you are agreeing to a change in your contractual terms and conditions for the following **Prosper** year (1 April to 31 March).

Reference letters provided for the purposes of mortgages or loans will refer to your Reference or Base Salary not your **Prosper** salary.

Your Fund benefits

Your Fund benefits will not be affected by the salary adjustment for *PaySmart*. Your Reference or Base Salary, before the salary adjustment for *PaySmart* and your other **Prosper** selections, will continue to be used to calculate the amount of pension contribution into the Fund. Your Reference or Base Salary will also be used for all other salary-related benefits and pay review purposes.

Who can I contact?

If you have any questions that aren't covered here, please email MMC Payroll at UKIHRSharedServices@mmc.com.

This leaflet is written in general terms and is not intended to modify the MMC UK Pension Fund or alter in any way the benefits to which you are entitled under the Fund. In the event of this leaflet conflicting in any way with the Trust Deed and Rules then the Trust Deed and Rules will prevail.

Updated June 2022

MMC UK PENSION FUND – PAYSMART

YOUR QUESTIONS ANSWERED

Why does MMC operate PaySmart?

The Company regularly reviews its employee benefits to ensure they are competitive, valuable and cost-effective for both employees and the Company.

PaySmart, also known as Salary Sacrifice, is a way to increase your take-home pay by reducing your National Insurance Contributions (NIC).

PaySmart allows you to pay contributions into the MMC UK Pension Fund – DC Section by giving up part of your salary through Prosper, the Company's flexible benefits scheme. By choosing PaySmart, your gross salary will be lower but your take-home pay will be higher (if you are below State Pension Age).

Who is eligible to contribute through PaySmart?

Any contributing member of the Fund can join PaySmart if they are eligible to participate in Prosper.

It is possible that the eligibility criteria may change in the future and the Company would contact you if you were impacted.

How much can I contribute via PaySmart?

There is no limit on the maximum amount you can contribute via PaySmart.

The Annual Allowance (the maximum tax efficient contribution that can be made to any/all pension schemes in your name each year - £40,000 in the current tax year), applies to both employer and employee contributions combined, and is therefore unaffected by PaySmart.

How often can I change my level of contributions through PaySmart?

You can stop, start, increase or reduce our contributions at any time. We will process your request as soon as administratively feasible.

What do I need to do to pay my contributions through PaySmart?

PaySmart is the default option, so if you don't make a choice, you will automatically be included in PaySmart.

What if I don't want to contribute through PaySmart?

If you do not wish to contribute through PaySmart, you will need to opt out through Prosper.

Will the other pay-related benefits provided by MMC (e.g. life assurance) be based on my reduced pay following the deduction of PaySmart contributions, or my original contractual pay?

None of the earnings-related benefits you receive as part of your benefits package will be affected.

Your reference salary before the PaySmart reduction will continue to be used to calculate any benefits, overtime, bonuses or pay increases/reviews etc.

However, if your pay is reduced to less than the HMRC Lower Earnings Limits (LEL) (for 2022/23 this will be £6,396 per year) you may lose your entitlement to certain state benefits such as Statutory Sick Pay and Job-seekers allowance.

As my contractual pay is reduced as a result of PaySmart, will this affect the amount of mortgage or loan I could receive?

No it should not have any impact. Reference letters provided by the Company for mortgage or loan purposes will refer to your reference salary before PaySmart. Lenders have historically been happy with this approach, but we would permit you to opt out of PaySmart if this was a problem for your lender.

Will I still benefit from income tax relief on my pension contributions as a result of PaySmart?

With PaySmart, your normal contributions will instead be paid as employer contributions. Although you do not receive tax relief on employer contributions, you do not pay income tax on employer contributions either, so the net effect is the same as paying employee contributions.

Will contributing through PaySmart affect my student loan repayments as they are based on my earnings?

Yes. The amount you are required to pay in student loans will be lower as it is based on your pay after the PaySmart reduction. Of course, if you pay off your loan at a lower rate, you will end up paying it back over a longer period.

What happens if I go on maternity / family leave?

The Company will pay your pension contributions in full during paid leave in line with Government recommended guidelines. You will continue to build up benefits in the normal way and continue to have the opportunity to benefit from the National Insurance savings on your pension contributions.

Please refer to the family leave policy of your MMC Operating Company in respect of whether any pension contributions will be paid during any period of unpaid leave.

What happens if I go on shared parental leave?

The Company will pay your pension contributions in full during paid leave in line with Government recommended guidelines. You will continue to build up benefits in the normal way and continue to have the opportunity to benefit from the National Insurance savings on your pension contributions.

Please refer to the family leave policy of your MMC Operating Company in respect of whether any pension contributions will be paid during any period of unpaid leave.

Will my state pension benefits be reduced if I contribute through PaySmart?

Your Basic State Pension will not be affected by contributing through PaySmart.

Will my state benefits be reduced as a result of making PaySmart contributions?

Based on the current rules for State Benefits, and assuming your earnings do not fall below the LEL, we do not anticipate any negative impact.

As your earnings before tax and NI will be lower, you will be more likely to qualify for some State Benefits and the value of these benefits could actually increase.

How long will PaySmart be an option?

The intention is for PaySmart to remain in place indefinitely. However, as company circumstances and legislation may change, we reserve the right to withdraw PaySmart without notice or compensation, and reintroduce employee contributions on a net deduction basis.

In this event, your contractual earnings would be increased by the amount of your PaySmart contribution which would then be deducted from your earnings and paid as a normal employee contribution via PayDirect.

What if I have any further questions?

If you have any questions regarding PaySmart or the information included in this leaflet, please contact Payroll at: UKIHRSSharedServices@mmc.com

Other Useful Resources

Universal Credit Helpline

For more information about whether PaySmart would affect your Universal Credit please call **0800 328 5644** between 8am and 6pm Monday to Friday.

State Pension Advice Helpline

Visit www.dwp.gov.uk/thepensionservice for more information, or you can call The Pension Service, Monday to Friday 9:30am to 3pm on **0800 73 10 469**.

For PaySmart specific questions, please contact the team at: UKIHRSSharedServices@mmc.com

**MMC
June 2022**

Please note:

All figures in this document are based on National Insurance rates and allowances effective from 6th April 2022. We cannot provide you with individual financial advice about this change and this announcement does not do so.

If you need help finding a regulated financial adviser, you can visit the Financial Conduct Authority website: www.fca.org.uk/consumers/finding-adviser. The adviser will inform you of any charges that apply in return for their advice.