MMC UK Pension Fund

MarshMcLennan

MMC UK PENSION FUND – PENSIONS SALARY EXCHANGE

UNDERSTANDING SALARY EXCHANGE

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

Salary Exchange 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 platform. By choosing *Salary Exchange*, 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.

Through **Prosper** you agree to exchange part of your salary equivalent to the pension contribution you would like to make. Your gross pay reduces.

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The Company increases its contributions to your pension by the amount of salary you choose to exchange.

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You don't pay NICs on the part of your salary that you agreed to exchange. As a result your take home pay rises. The Company also benefits from the NIC saving.

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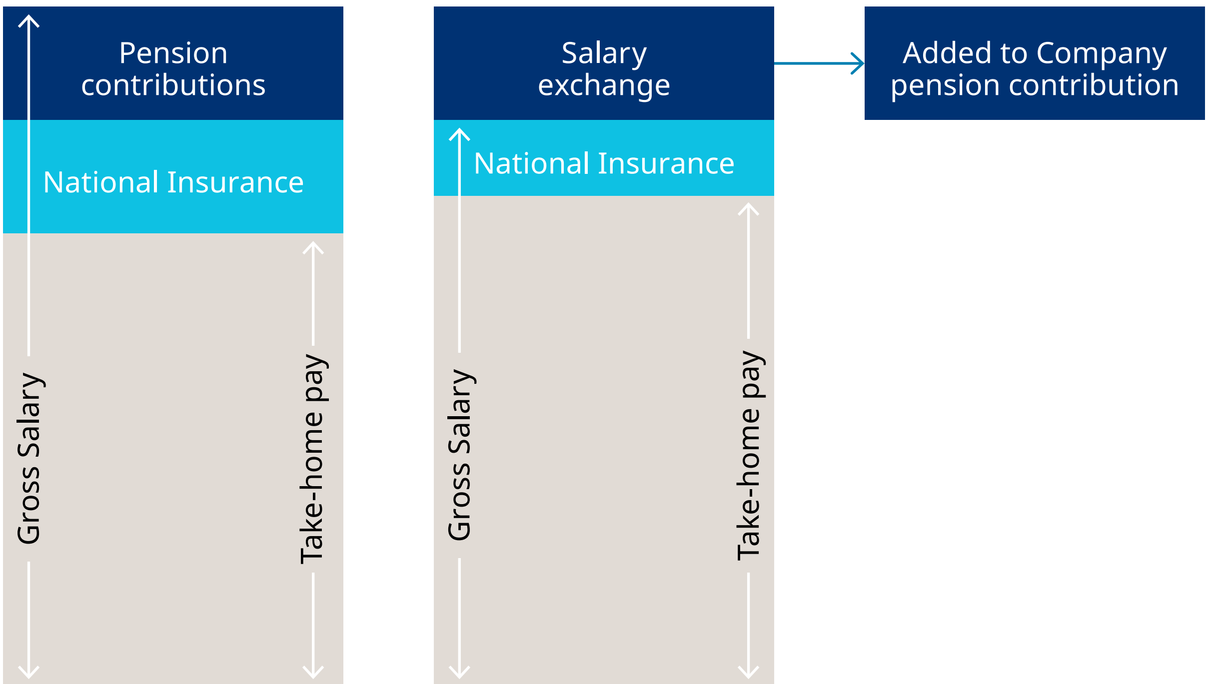
Your salary **before** the adjustment for *Salary Exchange* (and your other **Prosper** selections) will continue to be used for the calculation of pension contributions, death benefits and all other contractual benefits provided by the Company (but not State benefits). This is known as your Base Salary or Reference Salary.

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

Before *Salary Exchange* **Through *Salary Exchange***



MMC UK PENSION FUND – SALARY EXCHANGE

YOUR QUESTIONS ANSWERED

Why does MMC operate *Salary Exchange*?

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

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

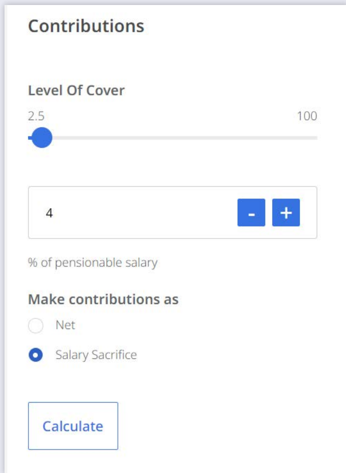
Salary Exchange allows you to pay contributions into the MMC UK Pension Fund – DC Section by exchanging part of your salary through Prosper, the Company's flexible benefits platform. By choosing *Salary Exchange*, your gross salary will be lower but your take-home pay will be higher (if you are below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

How do I choose *Salary Exchange*?

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

You can opt out of *Salary Exchange* 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.

Note: you will not pay income tax on either a *Salary Exchange* contribution or a net salary deduction.



Who is eligible?

Any contributing member of the Fund can contribute via *Salary Exchange* unless the *Salary Exchange* salary adjustment together with their other **Prosper** selections would take earnings below the National Living Wage (2024/25 levels).

If this applies to you, the default will be net salary contribution and you will not be able to select *Salary Exchange* on the **Prosper** website.

What contributions are covered?

If you select *Salary Exchange*, you will exchange salary equal to the pension contributions that you select under **Prosper**:

- Your Defined Contribution (DC) core contribution rate of 2.5%, plus
- Any optional contributions you choose to pay to the Fund.

How much can I contribute via *Salary Exchange*?

There is no limit on the maximum amount you can contribute via *Salary Exchange,* as long as the eligibility criteria outlined above is met.

The Annual Allowance (the maximum tax efficient contributions that can be made to any/all pension schemes in your name each year – £60,000 in the current tax year), applies to both employer and employee contributions combined, and is therefore unaffected by *Salary Exchange*.

How often can I change my level of contributions through *Salary Exchange*?

You can change your pension contributions through Prosper, during any of the monthly windows which run from 1st to 20th each month. Please note any changes made are effective from the following month.

How much money will I save?

You will save the amount of NICs that would otherwise be paid on the salary you choose to exchange. 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 *Salary Exchange*, the table below shows some example savings.

ANNUAL INCREASE IN NET PAY THROUGH *SALARY EXCHANGE*		
CONTRIBUTION RATE	GROSS SALARY BEFORE CHOOSING *SALARY EXCHANGE* OPTION	
	£30,000	**£60,000**
2.5%	£60	£30
3%	£72	£36
4%	£96	£48

All figures in the table and the worked examples are based on income tax and NIC rates for the 2024/25 tax year.

If you earn above the Upper Earnings Limit (£50,270 in 2024/25 tax year) the saving you can make through *Salary Exchange* will be lower, as you pay NICs at the rate of 2% on earnings above this level (the rate is 8% below this level). By using *Salary Exchange* the Company will also pay reduced NICs.

Will the other pay-related benefits provided by MMC (e.g. life assurance) be based on my reduced pay following the deduction of *Salary Exchange* 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 or Base Salary before the *Salary Exchange* 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 2024/25 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 *Salary Exchange*, 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 *Salary Exchange*. Lenders have historically been happy with this approach, but we would permit you to opt out of *Salary Exchange* if this was a problem for your lender.

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

With *Salary Exchange*, 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 *Salary Exchange* 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 *Salary Exchange* 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 am off sick?

Choosing *Salary Exchange* will have no effect on your sick pay.

What happens if 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 *Salary Exchange* will continue as before.

What happens if I go on maternity / family leave?

The Company will pay your pension contributions in full during paid leave in line with 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 MarshMclennan 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 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 *Salary Exchange*?

Your Basic State Pension will not be affected by contributing through *Salary Exchange*.

Will my state benefits be reduced as a result of making *Salary Exchange* 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 *Salary Exchange* be an option?

The intention is for *Salary Exchange* to remain in place indefinitely. However, as company circumstances and legislation may change, we reserve the right to withdraw *Salary Exchange* 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 *Salary Exchange* contribution which would then be deducted from your earnings and paid as a normal employee contribution via net salary deduction.

What if I have any further questions?

If you have any questions regarding *Salary Exchange* or the information included in this leaflet, please contact MMC Benefits at: UKIBenefits@mmc.com

Other Useful Resources

Universal Credit Helpline

For more information about whether *Salary Exchang*e 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 *Salary Exchange* specific questions, please contact the team at: UKIBenefits@mmc.com

MMC
May 2024

Please note:

All figures in this document are based on National Insurance rates and allowances effective from 6 April 2024. 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.

The small print

By participating in *Salary Exchange* and agreeing to exchange part of your salary under **Prosper**, you are agreeing to a change in your contractual terms and conditions from the following month.

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 *Salary Exchange*. Your Reference or Base Salary, before the salary adjustment for *Salary Exchange* 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 Benefits at **UKIBenefits@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 May 2024