



Your guide to Pensions Plus

For members of the Defined Contribution (DC)
Section of the Prudential Staff Pension Scheme

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Pensions Plus is a salary exchange arrangement that provides an opportunity for you to pay contributions to the DC Section of the Prudential Staff Pension Scheme (the Scheme) in an efficient way that increases your take home pay by reducing your National Insurance (NI) contributions. The Company also makes a NI saving and is giving half of the saving to you in the form of a discretionary additional contribution to your pension, known as the Pensions Plus Bonus.

In most cases, if you pay contributions and you benefit from Pensions Plus, you will automatically pay your personal contributions this way, unless you choose not to participate. For some colleagues on older employment contracts, who were defaulted to a 1% member contribution on or after April 2019, you would have to actively select Pensions Plus in order to participate.

If you choose not to contribute to the Scheme then Pensions Plus has no effect on your circumstances.

This booklet outlines the key points and benefits of Pensions Plus.

Important points

- When you contribute to the Scheme using Pensions Plus, you pay less NI contributions without affecting your income tax, so your take-home pay increases compared with making contributions not using Pensions Plus.
- The Company also saves NI contributions and as a result will pay you a discretionary Pensions Plus Bonus of half of this saving as additional contributions into your Personal Account. This is a discretionary contribution made by the Company and may be changed or stopped at any time.
- Pensions Plus is a salary exchange arrangement operated in the same way as MyCar or the Cycle To Work scheme. We will use your pre-exchange salary, which is known as your notional pay for the purposes of your salary review, bonus or other salary-related awards so they are not affected.

- Your other company benefits are not affected by Pensions Plus.
- Your State Pension will not be affected provided your pay remains above the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year).
- Participation represents a change in your terms and conditions of employment as your salary will be reduced by an amount equal to your personal pension contributions through Pensions Plus.

For most members, personal contributions will automatically be made through Pensions Plus unless you choose not to participate. The exception to this is if:

- you joined before 1 September 2014, when Pensions Plus was first included in contracts of employment, and
- you have never elected to pay contributions and are defaulted at an annual renewal to a 1% contribution, and
- you do not indicate that you would like that default contribution to be paid via Pensions Plus.

This may be changed in the future.

You can always change the level of personal contributions you make through Pensions Plus and you can also decide not to participate (or to opt back in) at any time. If you choose not to participate please note that you will not benefit from any NI savings or the discretionary Pensions Plus Bonus from the Company.

Note: Reference to 'Company' means M&G FA Limited, Prudential Distribution Limited or any other associated company or employer that offers you membership of the Scheme through your contract of employment.

How does Pensions Plus work?

Pensions Plus does not change your scheme membership; it's simply a more efficient way of making pension contributions.

You and the Company pay NI contributions on your gross salary. If you contribute to the Scheme without using Pensions Plus, any personal contributions you make would be taken from your salary after NI contributions have been deducted.

However, with Pensions Plus, instead of making personal contributions directly to the Scheme, you elect to give up an amount of salary that is equivalent to the personal contributions you wish to pay. In return, the Company will pay a contribution equivalent to the amount of salary you gave up, on your behalf. NI contributions are then deducted from your lower salary. That way, both you and the Company save on NI contributions.

This is how it works:

1. You stop paying personal contributions directly from your salary.
2. The Company reduces your gross salary by an amount equal to your personal contributions.
3. The Company then pays an amount into the Scheme, which is referred to as Pensions Plus contributions. This amount is equal to your personal contributions. Additionally, a Pensions Plus Bonus equal to half of the Company's NI contribution saving is also paid.
4. The Company still continues to pay core contributions, known as Employer Credits and matching contributions, known as Matching Employer Credits.
5. You then pay less NI contributions, so your take-home pay increases (compared with if you paid the same contributions without using Pensions Plus).

Below is an example of how the arrangement works for a member who is currently paying a personal contribution of 6% of Pensionable Pay.

Without Pensions Plus	
Basic salary	£40,000
You pay	
Personal contribution	£2,400
Company pays	
Employer Credits	£3,200
Matching Employer Credits	£2,000
Contribution (NI payable on contribution)	£7,600

With Pensions Plus	
Notional pay	£40,000
Contractual base salary	£37,600
Company pays	
Pensions Plus contributions	£2,400
Pensions Plus Bonus	£181
Employer Credits	£3,200
Matching Employer Credits	£2,000
Contribution	£7,781

This member's net pay increases by £318 per annum as a result of contributions being paid through Pensions Plus.

When you participate in Pensions Plus, the Company will reduce your gross salary by an amount equal to your personal contributions. However, it will still maintain a record of your salary before Pensions Plus (known as your notional pay). Your notional pay will be used for any salary-related calculations, such as salary reviews, bonus and salary-related benefits (such as life assurance) so they are not affected by Pensions Plus. This will also be the amount used in any personal official letters issued by the Company on your behalf (eg mortgage letters or loan applications).

How much could you save?

The table below shows the estimated **annual** National Insurance saving and the discretionary Pensions Plus Bonus for contributions paid via Pensions Plus for the 2022/23 tax year based on a range of salaries and contribution levels:

Contribution rate	1%		2%		3%	
Gross salary	NI saving	Pensions Plus Bonus	NI saving	Pensions Plus Bonus	NI saving	Pensions Plus Bonus
£15,000	£20	£11	£40	£23	£60	£34
£20,000	£27	£15	£53	£30	£80	£45
£30,000	£40	£23	£80	£45	£119	£68
£40,000	£53	£30	£106	£60	£159	£90
£50,000	£66	£38	£133	£75	£199	£113
£60,000	£20	£45	£39	£90	£59	£135
£80,000	£26	£60	£52	£120	£78	£181
£100,000	£33	£75	£65	£151	£98	£226

Contribution rate	4%		5%		6%	
Gross salary	NI saving	Pensions Plus Bonus	NI saving	Pensions Plus Bonus	NI saving	Pensions Plus Bonus
£15,000	£80	£45	£99	£56	£119	£68
£20,000	£106	£60	£133	£75	£159	£90
£30,000	£159	£90	£199	£113	£239	£135
£40,000	£212	£120	£265	£151	£318	£181
£50,000	£265	£151	£331	£188	£398	£226
£60,000	£78	£181	£98	£226	£117	£271
£80,000	£104	£241	£130	£301	£156	£361
£100,000	£130	£301	£163	£376	£195	£452

The rate of NI that you and the Company pay depends on how much you earn and the Pensions Plus Bonus is based on the rate of NI paid by the Company. The NI rates are currently:

Income	NI rate you pay	NI rate the Company pays
Below £9,100	0%	0%
Between £9,100 and £9,880*	0%	15.05%
Between £9,880* and £50,270	13.25%	15.05%
Above £50,270	3.25%	15.05%

This is why employee savings are proportionately lower in the examples above for a member earning over £50,000.

*The £9,880 'Primary Threshold' will increase to £12,570 from July 2022.

Who might not benefit from Pensions Plus?

Although most members will benefit from Pensions Plus, a small number may not for various reasons including:

- If you earn less than the Lower Earnings Limit of £6,396 a year for the 2022/23 tax year, you may see certain State benefits affected. If you earn below this level, you will be automatically excluded from Pensions Plus to make sure that you are not worse off.
- Although the Company has a commitment to pay at least the Living Wage, participating in a salary exchange arrangement may take your salary below this level. Your salary could also fall below the National Minimum Wage (NMW) by participating in Pensions Plus and any other salary exchange arrangements (also known as salary sacrifice). If this is the case, you will not be able to participate, as we cannot legally allow your salary to fall below the NMW.

The Company will undertake a monthly payroll check to identify any members who may fall below either of these thresholds. If you were to become affected, you would be automatically excluded from Pensions Plus at that point. If your circumstances change at a later time you can choose to participate in Pensions Plus via Workday.

Pensions Plus will not normally reduce Universal Credit, Working Tax Credits or Child Tax Credits. If you are in receipt of any of these and have any concerns, you should call the Universal Credit or Tax Credit helplines (see [page 7](#) for details) for advice on whether it might impact your tax credits, as these are based on personal circumstances.

If you are in receipt of other State benefits, you should check with the relevant authority to understand any impact there may be on those benefits.

If you do not contribute to the Scheme, you are not affected by any of these issues.

Do I need to take any action?

To benefit from Pensions Plus, you do not need to do anything. If you are expected to benefit you will be automatically enrolled into Pensions Plus upon joining the Scheme. The exception to this is if:

- you joined before 1 September 2014, when Pensions Plus was first included in contracts of employment, and
- you have never elected to make contributions and are defaulted at an annual renewal to a 1% contribution, and
- you do not indicate that you would like that default contribution to be paid via Pensions Plus.

You are able to use Workday to start paying personal contributions, to change your current level of contributions or to opt in or out of Pensions Plus. Please search the People Hub with 'How do I change my pension contributions' for instructions on how to do this.

Employer Credits

Are the 'Employer Credits' I receive affected?

No. 'Employer Credits' are the contributions the Company pays towards your Company pension. These credits are equal to 8% of your Pensionable Pay, and are made to your Personal Account. These are unaffected by Pensions Plus. In addition, if you make personal contributions and participate in Pensions Plus the Company is also paying half of its NI saving as a discretionary Pensions Plus Bonus into your Personal Account.

Do I still receive Matching Employer Credits?

Many colleagues make their own personal contributions and the Company matches these up to a maximum of 5% of Pensionable Pay. This matching arrangement is the same whether or not your contributions are made via Pensions Plus.

Why is the Pensions Plus Bonus discretionary?

This is discretionary as it is important that the Company reserves the right to change or remove it at any time. In the future, we will continue to monitor the appropriate legislation and decide if Pensions Plus is still the most effective way to make contributions. The Company also reserves the right to remove the Pensions Plus arrangement at any time.

State benefits

Will Pensions Plus affect any State benefits I receive?

Pensions Plus increases net take-home pay when compared to making pension contributions without Pensions Plus. However, if participating in Pensions Plus reduces your salary to below the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year), State benefits and your build-up of State Pension could be affected. This would typically only be relevant for someone working part-time whose earnings were consequently around this level. If we are aware that participation might impact your State benefits we will advise you and automatically exclude you from Pensions Plus. Your personal contributions will then be made from your pay without using Pensions Plus.

Will it affect Universal Credit, Working Tax Credits or Child Tax Credits?

Means-tested benefits such as Universal Credit, Working Tax Credits and Child Tax Credits should not be affected by participating in Pensions Plus. Rules for claiming benefits are based on wider personal circumstances than just your salary.

For further information on these credits you can contact the Universal Credit helpline on 0800 328 5644 or the Tax Credit helpline on 0345 300 3900.

Company benefits

Does Pensions Plus affect any non-pension benefits?

None of your earnings-related benefits (eg life assurance cover) will be affected. All of your non-pension benefits will be based on your notional pay (ie the amount you earn before you participate in Pensions Plus). Salary reviews and, where relevant, bonuses will also be based on your notional pay.

How will Pensions Plus affect my Scheme pension benefits when I retire?

Your scheme benefits will not be affected by Pensions Plus. In fact, because the Company is sharing some of its NI saving with you, you will get more money paid into your Personal Account by participating.

How does Pensions Plus affect paid leave?

Statutory Maternity Pay and Statutory Redundancy Pay are based on your actual earnings, and could be reduced in some circumstances if you participate in Pensions Plus. However, the Company will use notional pay and also top up statutory payments where relevant. This means you will receive the same level of benefit you would have had before participating in Pensions Plus.

Tax and personal finances

Will paying contributions via Pensions Plus affect the amount of income tax I pay?

No. Based on current law and HMRC practice, there will be no change to your UK tax position as tax relief already applies to any personal contributions you pay, within HMRC allowances.

How will Pensions Plus affect my ability to borrow money?

To make sure that the maximum amount you can borrow – for example, on a mortgage – is not reduced, you should usually give your notional pay. Please check with your lender, but many organisations are familiar with salary exchange schemes like Pensions Plus and will typically consider your take-home pay when working out if you can afford your loan. Your take-home pay will increase with Pensions Plus but if your lender is not familiar with the concept, you can choose to not participate.

Will it affect student loans?

Participating in Pensions Plus may affect repayment of student loans. You may wish to contact the Student Loans Company Limited on 0300 100 0607 for more information.

Will it affect any other payments?

If you have a County Court Judgement or similar, it should not be affected by Pensions Plus. However, where the order is explicit about the definition of pay to be used, the impact of Pensions Plus should be noted. If you are unsure, please seek legal advice.

Changes to salary, pension contributions and Share Incentive Plan limits

What happens if my salary changes?

A change in salary will only affect your ability to participate in Pensions Plus if your contribution takes you below the National Minimum Wage (for over 25s that is £17,290 a year based on a 35-hour week for the 2022/23 tax year) or the Lower Earnings Limit (as explained above) after Pensions Plus and any other salary exchange arrangements have been taken into account.

Can I make changes to how much I contribute through Pensions Plus?

Yes. If you want to change the level of personal contributions you make, you can do this under Pensions Plus. Please follow the steps in the 'Do I need to take any action?' section of this booklet.

Are there limits to the amount I can contribute through Pensions Plus?

You can contribute as much as you like, as long as your salary, after taking part in Pensions Plus and all other salary exchange arrangements such as MyCar or the Cycle To Work scheme, does not fall below the National Minimum Wage. If participating in Pensions Plus reduces your salary to below the Lower Earnings Limit (£6,396 a year for the 2022/23 tax year), you could lose State benefits, which may not be in your best interests. This would typically only be relevant for someone working part-time whose earnings were around this level.

The Company will not be able to add you to the Pensions Plus arrangement if participating reduces your salary below the National Minimum Wage or Lower Earnings Limit.

There is a maximum amount of pension savings which attracts tax relief each year, known as the Annual Allowance and it is £40,000 for the tax year 2022/23 (please note, if you are a high earner or you have 'flexibly accessed' any Defined Contribution funds from any of your pension arrangements on or after 6 April 2015, your Annual Allowance may be reduced). If you exceed this amount, you'll be subject to an Annual Allowance tax charge (though you may be able to roll forward unused allowance from previous years). You must also take account of the Pensions Plus Bonus when working out your total annual pension contributions to compare with the Annual Allowance. Further details on tax-free allowances are available in the Scheme Member's booklet and can be viewed from the Documents page on the Scheme website at www.prudentialstaffps.co.uk or you can visit www.hmrc.gov.uk

Can I make one-off payments through Pensions Plus?

You are currently able to contribute to your pension out of non-pensionable pay, including bonuses and overtime through Pensions Plus through Workday. Please search the People Hub with 'How do I change my pension contributions' for instructions on how to do this.

Will Pensions Plus affect the maximum amount I can contribute to a Share Incentive Plan (SIP)?

If participating in Pensions Plus reduces your salary (including all gross earnings) below £18,000 a year, you would not be able to contribute the full £150 a month to a SIP (because this would mean you were contributing more than 10% of your salary).

Options on participation and future events

What happens if I don't want to participate in Pensions Plus?

You have the option to cease your participation in Pensions Plus at any time. You will remain a member of the Scheme and you will make personal contributions as a deduction from your salary. You will not benefit from the NI savings or the Pensions Plus Bonus from the Company. You will be able to participate in Pensions Plus in the future at any time if you change your mind (unless the Company decides to withdraw this option).

If you wish to amend your participation please follow the steps in the 'Do I need to take action?' section of this booklet. Your decision will take effect from the first of the month after you submit your election.

What happens if I leave the Company?

Provided you have completed at least 30 days' service, your Personal Account will remain invested until it is taken as retirement or death benefits, or transferred to another registered pension scheme. For more details refer to the Scheme website at www.prudentialstaffps.co.uk

Is the amount of Pensions Plus Bonus paid into my pension likely to change?

The Company has chosen to share some of the NI savings it makes from members participating in Pensions Plus. However, the Company may choose to reduce or stop this at any time. The Company also reserves the right to remove the Pensions Plus arrangements at any time.

If you have any questions about Pensions Plus, please contact HR via the People Hub.

Making pension contributions through Pensions Plus is expected to be beneficial to you because it increases your net take-home pay when compared to making pension contributions without Pensions Plus, based on our understanding of current legislation and tax rules. However, you should consider the effect of Pensions Plus on your own personal circumstances and, in particular, on any entitlement to tax credits or State benefits that you may receive, as the Company does not take responsibility for any adverse effect that Pensions Plus may have on your own circumstances. The Company cannot offer advice on your decision whether or not to participate in Pensions Plus.

This guide gives you an overview of how Pensions Plus, a salary exchange arrangement, operates based on our understanding at the date of publication. The guide does not confer any entitlement to benefits and full details of the Scheme can be found in the Trust Deed and Rules. If there are any differences between this guide and the Scheme Trust Deed and Rules, the Trust Deed and Rules take precedence.

Participation in Pensions Plus, and any amendments to your contract of employment, is subject to the approval of the Company at all times. There is no need for you to sign a new contract. By opting in to / continuing to participate in Pensions Plus, your contract of employment will be amended automatically. Unless you choose not to participate in Pensions Plus, you will be deemed to have agreed to this change. The Company reserves the right to change the terms and conditions of the Pensions Plus arrangement and may change or remove the Pensions Plus Bonus at any time.

Please be aware that the Income Tax and National Insurance treatment of pay and benefits is subject to change over time and the Company must comply with any statutory HMRC changes. You will be paid and taxed for any benefits according to the HMRC legislation that applies at the time.

