Russell Investments Pension Plan

SMART Pensions arrangement Explanatory guide

EFFECTIVE FROM APRIL 2025

SMART Pensions

SMART Pensions is a tax efficient way to pay your contributions to the Russell Investments Pension Plan (the "Plan") that delivers National Insurance ("NI") savings to you and the Company.

If you participate in SMART Pensions your contractual pay will be reduced by an amount equivalent to your selected regular pension contribution level. At the same time, the Company increases its contributions by an amount equal to this. The advantage of making pension contributions this way is that they are not subject to NI, which they would otherwise be.

SMART Pensions is not a different pension scheme and participation does not affect your membership of the Plan in any way.

Using SMART Pensions does not change the total amount paid into your Pension Investment Account ("PIA") but, in comparison to having your contributions deducted from your gross salary, your take home pay may be a little more.

1. Savings from SMART Pensions

The NI savings from SMART Pensions are linked to your total earnings and the amount of your pension contributions. Broadly the NI saving will be:

- 8% of your SMART Pensions contributions, if your total earnings are below £50,270 from the 2024/2025 tax year; or
- 2% of your SMART Pensions contributions, if your total earnings are above £50,270 from the 2024/2025 tax year.

In the Appendix to this guide you will find two examples of the effect on your take home pay of using SMART Pensions to make contributions to the Plan.

2. Your contributions

2.1 Regular contributions

You will be invited to select the level of personal contributions to be paid to your PIA. The table shows the level of matching Company contributions that will be paid, depending on your selection.

Employee matching contribution	Company core contribution	Company matching contribution	Total contributions made to your PIA
0%	10.0%	0%	10.0%
0.5%	10.0%	0.5%	11.0%
1.0%	10.0%	1.0%	12.0%
1.5%	10.0%	1.5%	13.0%
2.0%	10.0%	2.0%	14.0%
Over 2%	10.0%	2.0%	12.0% plus your contribution

You can choose to pay regular contributions to the Plan at any amount. SMART pensions will be used automatically for all your regular contributions unless you opt out. You will only be able to change your regular contribution level once a year (typically with effect from 1 April), or at a lifestyle event (as detailed in 4.1).

2.3 One off additional voluntary contributions

Single lump sum contributions can be made from time to time. These contributions will not be paid through the SMART Pensions arrangement.

2.4 Bonus sacrifice

The existing facility for you to choose to direct any bonus payments into the Plan will continue using SMART Pensions. For more information please contact your HR department.

2.5 The Annual Allowance

The Annual Allowance sets a limit on the amount of pension savings that can be made by or for you each tax year across all your pension arrangements without triggering a special tax charge. Any pension savings in excess of your Annual Allowance will, generally, be subject to a tax charge at your marginal tax rate. However, any unused allowances from the three previous tax years is offset before the tax charge is calculated.

The Annual Allowance is currently £60,000 for most people, but it will be less than this standard rate – potentially as low as £10,000 - for those with high taxable income. This is known as the tapered Annual Allowance. To estimate your Annual Allowance you need to calculate your Threshold Income. Any “new salary sacrifice” made after 8 July 2015 will count toward the calculation of your Threshold Income. This means any SMART Pensions contributions which first started on or after 8 July 2015.

In addition, if you access any defined contribution pension savings flexibly, you will also be subject to the Money Purchase Annual Allowance. From then on you will have to pay extra tax if the total contributions made in any tax year by you and anyone else on your behalf across all schemes exceed the tax year’s Money Purchase Annual Allowance (and it will not be possible to mitigate this by using any unused Annual Allowance from any previous years). Special rules apply in the tax year the Money Purchase Annual Allowance is first triggered. The Money Purchase Annual Allowance is currently £10,000.

You can find more details about the Annual Allowance, Money Purchase Annual Allowance and how to work out your Threshold Income in the Employer Cap Questions & Answers document.

3. SMART Pensions and other benefits

3.1 Company benefits

Although participation in SMART Pensions will reduce your contractual pay this will not affect your Company earnings-related benefits including:

- future salary increases;
- bonuses;
- pension contributions;
- long term disability;
- life assurance;
- redundancy; and
- maternity, paternity and adoption pay.

Company benefits will continue to be based on your pre-SMART Pensions salary, ie your basic annual salary. Your Company benefits will not be reduced by making your pension contributions through SMART Pensions.

3.2 State benefits

Various state benefits are linked to earnings and NI contributions and participation in SMART Pensions could affect your entitlement to these. In the following circumstances it might not be possible or beneficial for you to participate in SMART Pensions including:

- if your earnings reduce below £6,500 per annum (2025/2026 tax year), as you would cease to build up entitlement to certain State benefits (such as State Pension, Incapacity Benefit, Job Seekers Allowance etc);
- employees whose earnings reduce below the level of the National Living Wage, £12.21 per hour (effective from April 2025) or the National Minimum Wage if you are under age 21; and
- if you are claim Universal Credit or a Council Tax Reduction.

Where the Company knows that these might impact you, it will contact you to discuss your options and agree whether you should be enrolled into SMART Pensions for the period whilst you are impacted by one of the above.

If you currently receive Universal Credit or a Council Tax Reduction you should contact your Local Authority before deciding whether to participate in SMART Pensions as a change to your taxable earnings could affect your entitlement.

3.3 Tax credits

Tax credits are payments from the government straight into your bank account. Many people become eligible for tax credits when they have a baby. There are two types – Child Tax Credit and Working Tax Credit. Participation in SMART Pensions may impact your current entitlement to tax credits. If you participate in the Childcare voucher scheme this may affect the amount of tax credits which you may be entitled to. HMRC has set certain thresholds around when it needs to be notified of a change in your taxable salary. Further information can be found at http://www.hmrc.gov.uk/taxcredits/keep-up-to-date/changes-affect/income-changes.htm

3.4 Student loans

If you are currently repaying a student loan through payroll, participation in SMART Pensions will reduce the earnings on which your monthly repayments are calculated. The amount you repay through payroll would reduce, resulting in a longer repayment period. If you would prefer to pay at a higher rate to repay your loan over a shorter period you should contact the Student Loans Company in the usual way.

3.5 How will SMART Pensions affect any financial reference e.g. mortgage / renting reference?

The salary information requested by third parties for the purposes of, for example, mortgage applications, credit card applications or tenant references will be a matter for the relevant requestor. However, unless details about your salary sacrifice arrangements are specifically requested, generally it will be safe to assume that requests to provide details of your gross salary should be taken to refer to your pre-SMART Pensions salary, ie your basic annual salary. Most mortgage and credit card providers are familiar with the concept of salary sacrifice. If there is any uncertainty, you should check with the relevant provider.

4. How SMART Pensions works

Participation in SMART Pensions will be a change to the terms and conditions of your employment. You will only be able opt out or opt in of SMART Pensions once a year in the annual election window, typically with effect from 1 April, or following a lifestyle event. You may change your regular contribution rate at any time.

4.1 Changes to SMART Pensions – Lifestyle events

Lifestyle events include but are not limited to:

- changes in marital status;
- going on or returning from leave of absence;
- birth or adoption of a child;
- death of a partner or dependant;
- a significant change to working hours; and
- leaving the Company or the Plan.

4.2 Opting out of SMART Pensions

New entrants – Before joining the Plan you should consider whether you wish to take part in SMART Pensions. Opting out will not affect your membership of the Plan. If you opt out of SMART Pensions your contributions will be deducted from your earnings and paid directly to your PIA. Contributions paid in this way currently benefit from income tax relief, but are subject to NI. If you would prefer to make contributions outside of SMART Pensions please indicate this on the Contribution Selection Form available and return it to HR.

Existing members – If you are already a member of the Plan you may opt out of SMART Pensions during the annual election window, typically with effect from 1 April, or following a lifestyle event as outlined above.

4.3 SMART Pensions commitment

On joining SMART Pensions you will receive a letter confirming your new contractual salary. This will be your current contractual salary less an amount equivalent to your regular contributions which will be paid directly to your PIA by the Company. The letter will also make it clear that this arrangement, and the reduction in your contractual salary, is a permanent change to your terms and conditions of employment.

This does not mean that you cannot opt out of SMART Pensions in the future, but it is important that you appreciate that you will only be able to do so at certain points in time. You will only be able to opt out (and subsequently opt in) once a year with effect from 1 April, or following a lifestyle event (see 4.1). Your decision as to whether or not to participate in SMART Pensions is therefore a relatively long term commitment; you cannot change your mind after a few months unless one of the lifestyle events occurs.

If you participate in SMART Pensions now, but want to opt out in the future (either because a lifestyle event occurs or during the annual election window, typically with effect from 1 April), the Company will send you a letter confirming that this is a change to your terms and conditions of employment and confirming that your contractual salary will increase accordingly. Whether or not you participate in the SMART Pensions arrangement, you will only be able to change your regular contribution level during the annual election window or following a lifestyle event.

4.4 How long will SMART Pensions continue?

The Company intends to keep SMART Pensions in place for as long as the NI savings are available. SMART Pensions may have to stop if, for example, the Government changes the rules on income tax or National Insurance or pensions law. If this happens we will notify you and explain the possible implications. The Company reserves the right to end SMART Pensions at any time. If this happens, you will begin paying pension contributions again and your basic annual salary will be adjusted to be the amount you would have received if you had not used SMART Pensions.

Appendix

You receive tax relief on any contributions that you make to the Plan. If you use SMART Pensions, you will also pay lower NI contributions.

The two examples below show estimated tax, NI and take home pay figures and the potential tax and NI savings that can be made. Please note that the calculations have been based on a number of assumptions and your own calculation may differ. The figures have been estimated using tax and NI contribution rates applicable from the 2025/26 tax year.

Example 1: Estimated take home pay calculations for a member with a basic annual salary of £40,000

1.1 The member does not make a personal contribution

Member's contribution to the Plan	£0
PAYE tax	£5,486
NI contributions	£2,194
Take home pay	£32,320

1.2 The member makes a personal contribution of 5% and opts out of using SMART Pensions

Member's contribution to the Plan by deduction from gross salary	£2,000
PAYE tax	£5,086
NI contributions	£2,194
Take home pay	£30,720

The member benefits from tax relief on their contribution at their marginal rate (making a saving of £400, or 20% of their pension contribution).

1.3 The member makes a personal contribution of 5% using SMART Pensions

Member's contribution to the Plan using SMART Pensions	£2,000
PAYE tax	£5,086
NI contributions	£2,034
Take home pay	£30,880

The member benefits from tax relief on their contribution at their marginal rate (making an annual saving of £400, or 20% of their pension contribution).

In addition, the member pays lower NI contributions (making an annual saving of £160, or 8% of their pension contribution).

For an annual £2,000 pension contribution, the member's take home pay is only £1,440 per annum lower than if they made no contribution at all.

Example 2: Estimated take home pay calculations for a member with a basic annual salary of £60,000

2.1 The member does not make a personal contribution

Member's contribution to the Plan	£0
PAYE tax	£11,432
NI contributions	£3,211
Take home pay	£45,357

2.2 The member makes a personal contribution of 5% and opts out of using SMART Pensions

Member's contribution to the Plan	£3,000
PAYE tax	£10,232
NI contributions	£3,211
Take home pay	£43,557

The member benefits from tax relief on their contribution at their marginal rate (making an annual saving of £1,200, or 40% of their pension contribution).

2.3 The member makes a personal contribution of 5% using SMART Pensions

Member's contribution to the Plan	£3,000
PAYE tax	£10,232
NI contributions	£3,151
Take home pay	£43,617

The member benefits from tax relief on their contribution at their marginal rate (making an annual saving of £1,200, or 40% of their pension contribution).

In addition, the member pays lower NI contributions (making an annual saving of £60, or 2% of their pension contribution).

For an annual £3,000 pension contribution, the member's take home pay is only £1,740 lower per annum than if they made no contribution at all.