

No: 280/24

21st August 2024

Dear Colleagues,

ROYAL MAIL: PFSL – PENSION SALARY EXCHANGE (PSE) – NEST SCHEME

Branches are advised that our PFSL members in the NEST pension scheme will be receiving letters from Royal Mail shortly explaining that they are being auto-enrolled into Pensions Salary Exchange (PSE) and what the benefits are. Essentially, PSE, which is already available for other Royal Mail Pension arrangements, allows for eligible employees who pay National Insurance contributions to increase the amount of money they take home each week or month, without changing their Pensionable Pay, the overall level of contributions made to their pension or other Employer benefits they receive.

The PSE for PFSL members will be launched from 7th October and the benefits are explained fully in the comprehensive guide attached to this LTB. Members do not have to do anything – they will be automatically enrolled from 7th October. The Postal Executive has endorsed this position. There is though the ability to opt out of PSE - a form will be attached to the letter from Royal Mail and has to be returned by 13th September.

It should be noted that there are a group of members within the NEST scheme who unfortunately will not be eligible to take part in PSE as they do not earn enough per annum (for example, if they work part-time). To minimise risk, Royal Mail has set a minimum PSE participation level of £13,200 p.a. This position has been adopted to avoid negative impact upon certain state benefits and this will be explained to this group of members in a separate letter. We will keep the £13,200 p.a. figure under review with Royal Mail.

We obviously welcome the extension of PSE to our PFSL members in the NEST scheme. We have also agreed in principle, with the company (via this year's pay negotiations) a joint communication informing members of the pensions available in PFSL. However, we remain disappointed that Royal Mail is thus far unwilling to offer the new pension scheme – The Collective Plan to our PFSL members. Our aspiration and indeed the policy of the Union remains to ensure The Collective Plan is available to all CWU members working in PFSL and we continue to pursue this with PFSL and Royal Mail.

Yours sincerely,

Andy Furey
Assistant Secretary

Mark Baulch
Assistant Secretary

Bobby Weatherall
A/Assistant Secretary

YOUR REWARDS AND BENEFITS

Pension

PSE | Pension
Salary
Exchange

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EXCHANGE**

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Your Employer cannot give you financial or pensions advice. If you need financial or pensions advice, you should contact an independent financial adviser.

Introduction to PSE

Employees who are contributing to the National Employment Savings Trust (NEST) may be able to make pension contributions through Pension Salary Exchange, or PSE.

What is PSE?

- PSE is a way for eligible employees who pay National Insurance contributions (NICs) to increase the amount of money they take home each week or month, without changing their Pensionable Pay, the overall level of contributions made to their pension or other Employer benefits they receive.
- By changing the way pension contributions are made, eligible employees – who are enrolled into PSE – can make a saving on any NICs paid.
- Most employees usually receive an increase in take-home pay (also known as your net pay).
- As a result, your Employer also pays lower NICs.

Who's eligible?

If you are a member of NEST, you will be enrolled automatically and take part in PSE as long as you meet the following conditions:

- Your pay after PSE (post-PSE pay) is over the PSE participation threshold (which is currently £13,200 a year, around £253 a week if you are paid weekly or £1,100 a month if you are paid monthly).
- The PSE adjustment and any other salary-exchange arrangements that you may have, for example childcare vouchers, do not reduce your post-PSE pay below the National Minimum Wage or the PSE participation threshold.
- You are not on unpaid leave, for example a career break or seconded to another employer and paid on another payroll system.
- You continue to be paid from the UK.

You will be enrolled automatically into PSE if you meet the conditions shown above, unless you tell us you wish to opt out.

More information

This guide explains how PSE works and the potential advantages for those who choose to take part.

If you have any questions after you have read this guide, you can contact us using the details on page 11.

Neither your Employer nor the NEST administrators can give you independent financial advice. If you need financial advice, you should contact an independent financial advisor.





What do I need to know?

- Under PSE, you will stop paying your pension contribution from your pay.
- Instead, your Employer pays an amount into your pension equal to the contribution you would have paid.
- Your basic pay will be reduced by the amount you would have paid as a contribution. This is called the PSE Adjustment.
- If you pay NICs, you will now pay less NICs and will have more take-home pay as a result.

Your Pensionable Pay stays the same, and the same amount is contributed to your pension. We also make sure that any other benefits provided by your Employer, including pay review, overtime, bonuses and sick pay, are not affected by PSE.

You do not have to take part in PSE. For more details on opting out, please see page 17 of this guide.

PSE protections

We have designed PSE to allow as many colleagues to benefit as possible. However due to certain legislation, some colleagues may be financially disadvantaged if they take part. To minimise this risk, you will not be enrolled automatically if one or more of the following conditions applies to you:

- Post-PSE pay will be below the PSE participation threshold (currently £13,200 a year, around £254 a week if you are paid weekly or around £1,100 a month if you are paid monthly).
- Your post-PSE pay will be brought below the National Minimum Wage by taking part in PSE and any other salary-exchange arrangements, for example childcare vouchers.
- You are on Statutory Sick Pay with no extra payments from your Employer.
- You are on unpaid leave, for example, a career break or seconded to another employer and paid on another payroll system.

Discover more information on how PSE works for those on maternity, paternity, adoption, additional paternity or shared parental leave on page 16 of the booklet.

PSE: a step-by-step guide

1

If you're eligible, you'll be automatically enrolled, unless you tell us you'd like to opt out.

2

With **PSE** you will not make a personal contribution to NEST. This means contributions coming out of your **monthly or weekly basic pay** will stop. Your **monthly or weekly basic pay** is reduced by the amount equal to the contribution you currently make to your pension. This includes any Additional Voluntary Contributions (**AVCs**) you may be paying. See page 19 for more information.

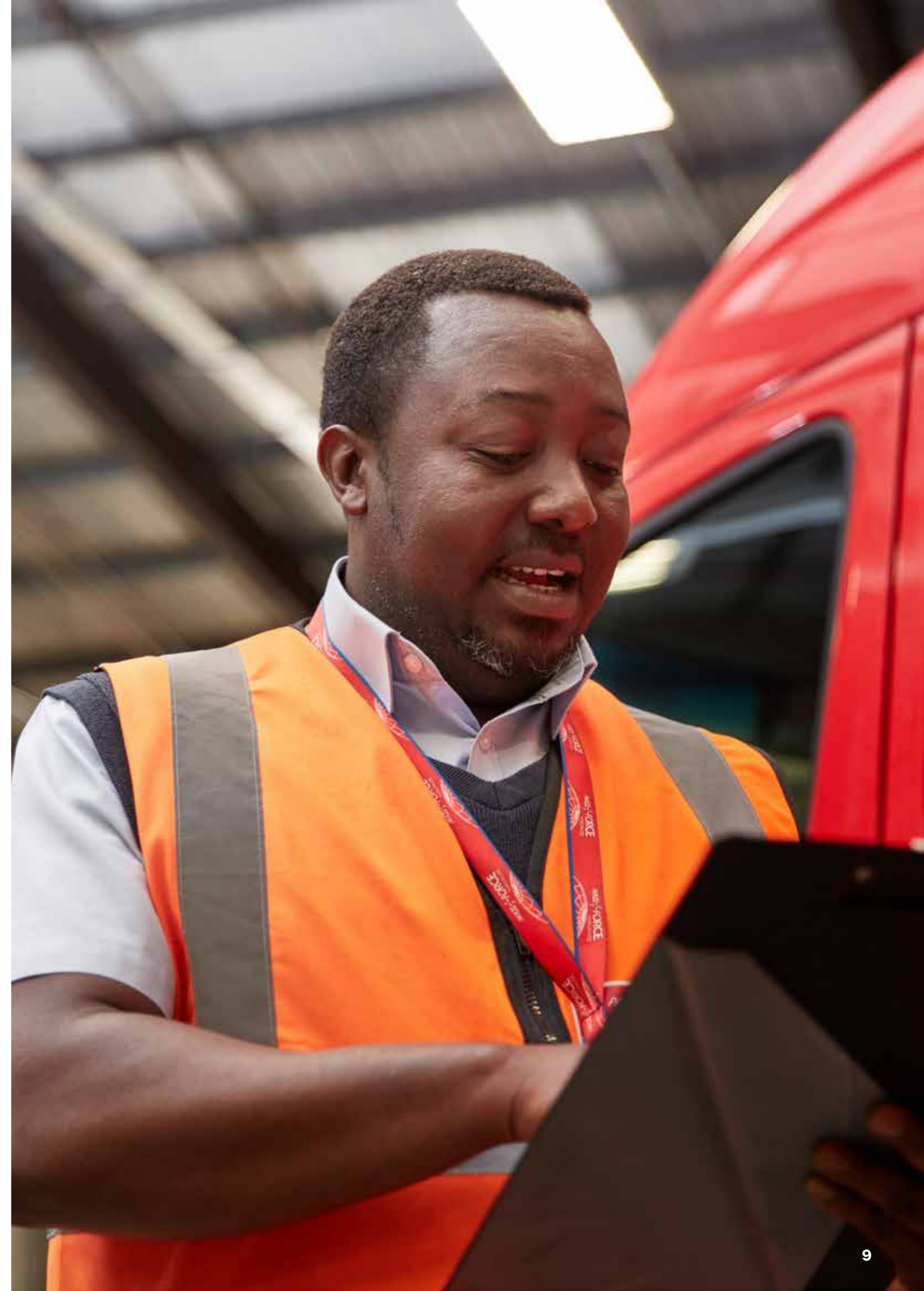
3

We pay an increased employer contribution so that the total amount paid into your pension is the same as before. The payments column of your payslip starts showing your **basic pay** and the **PSE adjustment** (see example payslips on pages 10-13).

4

Your **basic pay** has been reduced, you start paying lower NICs resulting in an increase to your take-home pay.

Examples of what your payslip will look like before and after PSE launches can be found on pages 10-13 of this guide.



PAYSLIP example 1

Here's an example of what a payslip might look like before and after an employee is enrolled in PSE. This is just an example calculation for illustration purposes only.

In example 1, we have shown a Property & Facilities Service Limited (PFSL) colleague who is paid monthly and who earns a **basic salary** of £2,010 a month. They are a member of NEST who is contributing 5% each month.

Before Salary Sacrifice

Pay Number	NI Number/Table	Tax Reference	Tax Code	Office	
12345678	JT123456D/A	875/1234567	1257L	123456	
Tax Period	Payment Date	Pay Method	Pay Rate	Pensions Contrib. Pay	
07/2025	31.10.2024	BACS Transfer	2010.00	2010.00	
Payments		Hours	Amount	Deductions	Amount
Basic Pay		162:30	2010.00	Tax Paid	192.50
				Employee NIC	77.00
				NEST EE	80.40
Gross Pay			2010.00	Total Deductions	349.90
Messages				Net Pay	1660.10
Example payslip <i>before</i> PSE in PFSL NEST				Adjustments to Net Pay	
Year To Date					
Assessable Pay	Tax Paid	Council Tax			
			Net Payment		1660.10

You make a personal contribution of 5% to NEST but this is reduced by the 20% tax relief which is also paid into NEST by HMRC on your behalf.

After Salary Sacrifice

Pay Number	NI Number/Table	Tax Reference	Tax Code	Office	
12345678	JT123456D/A	875/1234567	1257L	123456	
Tax Period	Payment Date	Pay Method	Pay Rate	Pensions Contrib. Pay	
07/2025	31.10.2024	BACS Transfer	2010.00	2010.00	
Payments		Hours	Amount	Deductions	Amount
Basic Pay		162:30	2010.00	Tax Paid	172.40
PSE Adj NEST EE			-100.50	Employee NIC	68.96
Gross Pay			1909.50	Total Deductions	241.36
Messages				Net Pay	1668.14
Example payslip <i>after</i> PSE in PFSL NEST				Adjustments to Net Pay	
Year To Date					
Assessable Pay	Tax Paid	Council Tax			
			Net Payment		1668.14

You no longer make a personal contribution to your pension. Your Employer pays an additional contribution of 5% based on pay of £2,010 into your pension.

You start paying lower NICs. Here NICs has reduced by £8.04

Your **take home pay** has increased by £8.04.

All amounts shown are based on 2024-2025 figures for **tax** and **NICs**. These may change in the future in line with changes in the law. The **tax** paid and **NICs** figures used above are examples only. The exact amount of income **tax** and **NICs** you pay depends on your circumstances at the time and in the tax year as a whole, including whether you are paid weekly or monthly. We have the right to withdraw, suspend or amend **PSE** or any of our pension arrangements at any time.

Please note that the tax calculated in this example does not reflect the Scottish income tax rates and bands.

In this example, a colleague would see their **take-home pay** increase by around

£96 A YEAR.

PAYSLIP example 2

The example below shows you how a payslip might appear before and after you are enrolled into **PSE**. The examples are for illustration purposes only.

In example 2, we have shown a Royal Mail colleague who is paid weekly and who earns a **basic pay** of £450 a week. They are a member of NEST who is contributing 5% each month.

Before Salary Sacrifice

Pay Number	NI Number/Table	Tax Reference	Tax Code	Office	
12345678	JT123456D/A	120/XA12345	1257L	123456	
Tax Period	Payment Date	Pay Method	Pay Rate	Pensions Contrib. Pay	
29/2025	25.10.2024	BACS Transfer	450.00	450.00	
Payments		Hours	Amount	Deductions	Amount
Basic Pay		34:00	450.00	Tax Paid	47.35
Delivery Supplement			28.77	Employee NIC	18.94
				NEST EE	18.00
Gross Pay			478.77	Total Deductions	84.30
Messages				Net Pay	394.47
Example payslip <i>before</i> PSE in PFSL NEST				Adjustments to Net Pay	
Year To Date					
Assessable Pay	Tax Paid	Council Tax			
			Net Payment		394.47

You make a personal contribution of 5% to NEST but this is reduced by the 20% tax relief which is also paid into NEST by HMRC on your behalf.

After Salary Sacrifice

Pay Number	NI Number/Table	Tax Reference	Tax Code	Office	
12345678	JT123456D/A	120/XA12345	1257L	123456	
Tax Period	Payment Date	Pay Method	Pay Rate	Pensions Contrib. Pay	
29/2025	25.10.2024	BACS Transfer	450.00	450.00	
Payments		Hours	Amount	Deductions	Amount
Basic Pay		34:00	450.00	Tax Paid	42.85
Delivery Supplement			28.77	Employee NIC	17.14
PSE Adj NEST EE			-22.50		
Gross Pay			456.27	Total Deductions	60.00
Messages				Net Pay	396.27
Example payslip <i>after</i> PSE in PFSL NEST				Adjustments to Net Pay	
Year To Date					
Assessable Pay	Tax Paid	Council Tax			
			Net Payment		396.27

You no longer make a personal contribution to your pension. Your Employer pays an additional contribution of 5%.

You start paying lower **NICs**. Here **NICs** has reduced by £1.80.

Your **take home pay** has increased by £1.80.

In this example, a colleague would see their **take-home pay** increase by around

£94 A YEAR.

All amounts shown are based on 2024-2025 figures for **tax** and **NICs**. These may change in the future in line with changes in the law. The **tax** paid and **NICs** figures used above are examples only. The exact amount of income **tax** and **NICs** you pay depends on your circumstances at the time and in the tax year as a whole, including whether you are paid weekly or monthly. We have the right to withdraw, suspend or amend **PSE** or any of our pension arrangements at any time.

Please note that the tax calculated in this example does not reflect the Scottish income tax rates and bands.

Your take-home pay

If you take part in PSE, the increase in your take-home pay depends on a number of factors:

- Your basic pay, plus any other earnings such as overtime, allowances and so on, before deductions;
- Whether you pay NICs.
- Your National Insurance band.
- How much you pay in pension contributions.

Under PSE the NICs paid will usually reduce as a result of the PSE adjustment, meaning your take-home pay increases.

For 2024-2025, NICs are 8% on earnings (your basic pay plus any other earnings such as overtime, allowances and so on) between £242 and £967 a week. NICs are 2% on earnings over £967 a week.

Upper earnings limit

Because of the way NICs are structured, the level of savings for someone earning more than the upper earnings limit of £50,270 a year (before deductions) is lower. This is because they are only paying 2% NICs from those earnings. This compares with 8% for people with lower earnings.

How much could I save?

The table below gives you an idea of the level of savings you could make, based on expected 2024-25 NICs and Income tax rates, if you are making a pension contribution of 5% of your Pensionable Pay and you are currently a member of NEST.

The table below summarises the estimated increase in take home pay resulting from reduced NICs paid when pension contributions are made via PSE. The calculations assume that NICs would normally be paid at 8% between the primary threshold of £12,584 and the upper earnings limit of £50,284 (before deductions), and 2% above the upper earnings limit.

Annual Pay	Annual Pension Contribution	Annual Post PSE Pay	Yearly increase in take-home pay
£10,000	£500	£9,500	£0
£15,000	£750	£14,250	£60
£20,000	£1,000	£19,000	£80
£30,000	£1,500	£28,500	£120
£40,000	£2,000	£38,000	£160
£50,000	£2,500	£47,500	£200
£60,000	£3,000	£57,000	£60

Your Employer cannot provide financial or pensions advice. If you want financial or pensions advice, please speak to a financial adviser or visit <https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser>

For more information on PSE, please visit myroyalmail.com/pensions or contact Royal Mail HR Services on **0845 60 60 603**



Frequently asked questions

If you have any more questions, please refer to the frequently asked questions section on myroyalmail.com/pensions or contact Royal Mail HR Services on **0845 60 60 603**. Full details are available on the back cover of this guide.

Do I need to apply to take part in PSE?

No. As long as you meet the eligibility criteria (see page 4 for eligibility details), you will be treated as agreeing to take part in PSE and will be automatically enrolled. If you elect to join NEST or any other pension arrangement provided by your Employer and meet the PSE eligibility criteria, you will be enrolled into PSE automatically.

How much will I save by taking part in PSE?

The amount of NICs you save depends on your pay and how much you pay in pension contributions. For more information, please see page 14.

Will there be any change to my terms and conditions of employment?

Yes. Taking part in PSE is a change to your contractual terms and conditions because your basic pay will be reduced by your pension contribution. If you do not opt out of PSE, you will be treated as having accepted the change to your contractual terms which will take effect from the date you join PSE.

We will work out any future pay increases and all other pay-related benefits such as overtime, bonuses, sick pay and death in service benefits on your pay before the PSE adjustment is made. This will make sure that these are not

affected. PSE is purely a technical change and will not affect any of your other terms and conditions of employment. Your entitlement to other employer benefits and mortgage or credit references will be based on your basic pay before the PSE adjustment has been made.

Will PSE affect any other employer benefits I receive?

No, we work out any future pay increases and all other pay-related benefits such as overtime, bonuses and sick pay on your basic pay before the PSE adjustment is made to make sure that these are not affected.

If you currently receive other benefits that provide a NICs saving, for example childcare vouchers, and your post-PSE pay falls below the PSE participation threshold, the first benefit you would be excluded from would be PSE. You would then make a personal pension contribution (pension contributions from net pay).

What happens if I go on maternity, paternity, adoption, additional paternity or shared parental leave?

You continue to take part in PSE throughout paid periods of this kind of leave. The PSE adjustment continues to be applied as long as you have enough non-statutory pay available, for example if we are paying you additional maternity pay above the statutory minimum.

We maintain our total pension contributions throughout paid periods of this kind of leave.

There may be a change in the level of statutory pay due to you as a result of the way these payments are worked out. However, our aim is that you are no worse off as a result of PSE.

I'm currently on long-term sickness absence. Can I still take part in PSE?

The current policy is that you continue to take part in PSE in periods of long-term sickness absence as long as you have enough non-statutory pay available – for example if we are paying you additional sickness absence pay above the statutory minimum – and your pay does not go below the PSE participation threshold. If it does, you would come out of PSE and your pension contributions would be paid as they are currently. You would automatically take part in PSE when you are again receiving enough non-statutory pay and your post-PSE pay is above the PSE participation threshold.

Will PSE affect any benefits I get from the State?

Entitlement to certain state benefits, such as Statutory Sick Pay, Incapacity Benefit and Jobseeker's Allowance are based on the amount of NICs that have been paid. So, for some lower-paid employees, PSE could affect

certain state benefits as your pay is reduced by the PSE adjustment and so the NICs you pay are lower. For this reason, we have set a PSE participation threshold. This is currently £13,200 a year (around £253 a week if you are paid weekly or around £1,100 a month if you are paid monthly). We will regularly review the PSE participation threshold and we have the right to change it without notice at any time.

If your post-PSE pay falls below the PSE participation threshold of £13,200 at any pay period, you will make a personal contribution to NEST for the relevant pay period which will result in no NIC savings. This process has been put in place to limit any potential loss of state benefits that you may qualify for.

For more information on how PSE operates during periods of maternity and family leave, please see above.

Will my student loan payments be affected by PSE?

If you are repaying a student loan, your student loan repayments may reduce slightly as a result of PSE. This is because your repayments are worked out using your post-PSE pay. This means your repayment period may be extended.

What happens if I want to opt out?

You do not have to take part in PSE. If you choose to opt out, you will make personal contributions to NEST but will miss out on the opportunity to make NICs savings on your pension contributions.

You can opt out of PSE if you wish to do so during the 30-day period from the date you become a contributing member of NEST. To opt out, you must contact Royal Mail HR Services by calling 0345 606 0603 or by emailing hrcs.optants.in.and.out@royalmail.com requesting a PSE opt-out form to complete and return as indicated. Once the deadline has passed, you can opt out of PSE once a year during a specific opt-out period. However, you can opt back into PSE at any time during the year. To opt back in please contact Royal Mail HR Services on 0345 606 0603 or for more details.

What will happen if I do not fill in the opt-out form correctly?

We ask for your contact details on the opt-out form in the event we need to get in touch for more information, or if any details have been filled out incorrectly. We cannot accept your opt-out form if it is not signed and dated.

You send the opt-out form at your own risk. Your Employer will not accept any responsibility if, for whatever reason, your form arrives late.

What happens if I leave NEST?

PSE will stop automatically. An Employee may choose to join another pension plan offered by their Employer which most likely uses PSE to deduct pension contributions, so if an Employee chooses to join another pension arrangement and they meet the eligibility criteria, they'd be enrolled

automatically into PSE despite opting out of PSE when they were making contributions into NEST.

Normally, members who leave with less than one month's membership are entitled to a refund of the value of their own contributions, less tax. However, under PSE, you will not have made contributions to the plan yourself. So, there will be no pension contributions to refund (for the period of time that you have been in PSE).

In these circumstances, if you are eligible for a refund, our current policy (which may change) is to make a special payment to you, equal to your total PSE adjustments. The refund will be subject to tax and NICs deductions.

Will I save tax as well as NICs as a result of taking part in PSE?

Because your pension contributions aren't taxable, there are no other tax savings to be made from taking part in PSE. The saving is entirely from NICs.

Will I always be able to take part in PSE?

The current policy allows employees to take part in PSE when they meet the relevant criteria. However, your Employer may choose to withdraw, suspend or amend PSE at any time. If this happens, you will be informed.



Jargon buster

Additional Voluntary Contributions (AVCs)

Additional Voluntary Contributions (AVCs) are payments you can make into your pension plan on top of your normal contributions. AVCs qualify for tax relief and so can be a useful way of making extra savings for your retirement in a tax-efficient way. Certain rules limit the amounts you can contribute as AVCs. You should read the relevant documents relating to your pension plan if you are thinking of making AVCs.

Basic weekly or monthly pay

This is your basic rate of pay before deductions such as income tax and National Insurance Contributions (NICs) have been made. This is also how we refer to your pay before the PSE adjustment has been made.

Employer

Employer means Royal Mail (including Parcelforce), Property and Facilities Services Limited, Royal Mail Courier Services or StoreFeeder.

HMRC

HM Revenue & Customs. This is the Government organisation which deals with tax and other issues.

National Insurance Contributions (NICs)

You pay NICs to build up your entitlement to certain state benefits. Like income tax, National Insurance is paid out of the income you earn at rates, and up to limits, that are set by Government.

NEST Pensionable Pay

This is the amount of your pay that is used to calculate your pension contributions to NEST.

Post-PSE pay

This is your pay after the PSE adjustment has been taken from your basic pay.

PSE adjustment

This is the amount your basic pay will be reduced by if you are taking part in PSE. It is equivalent to the amount of your pension contribution which we will pay into NEST as an increased employer contribution.

Pension Salary Exchange (PSE)

PSE is a way for eligible employees who pay NICs to increase the amount of money they take home each week or month, without changing the overall level of contributions made to their pension or the benefits they receive.

PSE participation threshold

So as not to financially disadvantage you, for example, by having a negative effect on certain state benefits, we have set a PSE participation threshold. This is currently set at £13,200 a year (around £253 a week if you are paid weekly or around £1,100 a month if you are paid monthly). This means that if your post-PSE pay is less than £253 a week or £1,100 a month, the payroll system will not include you in PSE for that specific pay period and you would pay pension contributions as you do currently, without a NICs saving. The PSE participation threshold may be raised in the future. We can increase the PSE participation threshold without notice, if we need to.

National Employment Savings Trust (NEST)

NEST is a pension scheme selected for your Employer's auto-enrollment arrangement.

State benefits

These are benefits paid by Government, generally based on your NIC record. They include Statutory Sick Pay, Incapacity Benefit and Jobseeker's Allowance.

Take-home pay or net pay

Your pay following PSE adjustment and less deductions, including income tax and NICs.

Find out more

If you have any questions after reading this guide, don't hesitate to get in touch via:

Website:

myroyalmail.com/pensions

Email:

hrsc.optants.in.and.out@royalmail.com

Phone:

Royal Mail HR Services: **0345 606 0603**

The helpline is open from 8.30am to 5.00pm, Monday to Friday (not including bank holidays).

Post: HRSC PSE

Royal Mail, 2nd Floor, Pond Street
Sheffield, S98 6HR

Nothing in this guide should be taken as financial advice. Neither we (your Employer) nor the pension trustees can provide independent financial advice. If you want independent financial advice, please speak to a financial advisor.

This booklet is not giving you a right to benefits or to take part in a salary exchange arrangement. Your Employer has the right to withdraw, suspend or amend PSE or any pension arrangement provided at any time.

You may also find the following contacts useful:

Tax credit helpline

For more information about whether PSE would affect any of your tax credits, please call:
0345 300 3900

State Pension advice helpline

For more information about your pension, visit:
www.gov.uk/contact-pension-service or call:
0800 731 0469

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