Reward & Retirement Provision

Assignment 4 Questions

(Part 3 – Flexible Benefits and Salary Sacrifice)

(Chapter 3 Salary and Bonus Sacrifice - Chapter 4 Other Benefits)

*Recommended Time: 3 hours*

1. Write an article for the annual newsletter to the members of a defined contribution pension scheme to explain the introduction of a salary sacrifice arrangement. The key details of the arrangement are:

* 1. The member contribution rate is currently 5%
  2. The arrangement will be voluntary, i.e., members need to opt in
  3. The employer will share 50% of the employer National Insurance (NI) saving with the members by providing a contribution to the pension scheme equivalent to this amount

Your article should include an explanation of salary sacrifice and how such an arrangement would operate.

You should also include examples of the amount of NI contributions payable by two pension scheme members with pensionable salaries of £36,000 – one who does not participate in the salary sacrifice arrangement and one who does. Your examples should also show the NI contributions that are payable by the employer in respect of the same two members.

(The relevant employee/employer contracted in NI contribution rates between the Primary Threshold (£12,570), Secondary Threshold (£9,100) and the Upper Earnings Limit (£50,270) are 8% and 13.8% respectively.)

35 marks

1. Outline the main reasons why a company may wish to adopt salary sacrifice for their pension scheme.

10 marks

1. Outline the minimum requirement for annual leave and how it may be incorporated into a flexible benefit arrangement.

5 marks

1. To encourage a higher take up rate of membership of the pension scheme, your client has decided to introduce pension salary sacrifice. Draft a briefing paper to the Benefits Manager setting out the main items to be considered when designing a salary sacrifice arrangement.

20 marks

1. The HR Manager in your company is concerned that some employees’ state benefits may be adversely impacted by a new salary sacrifice pension arrangement. As Benefits Manager, write an email in response, explaining how salary sacrifice can impact certain state benefits of employees.

15 marks

1. Explain the difference between a career break and a sabbatical and why an employer may offer them to employees.

10 marks

1. Outline the two types of dental cover that companies may offer employees as part of their benefits package.

5 marks