Introducing Pensions+ (June 2017)

Pensions+ is a Salary Sacrifice scheme introduced in 2008. This guide provides information on the benefits the scheme offers to you. It is one of many benefits available to Newcastle University employees.

How does Pensions+ work?

- For all eligible pay received, you will stop making standard pensions contributions from your contractual salary to the pension scheme. For USS members this will include the 1% additional match, if you have elected to take it.

- Instead the University will make contributions equal to the contributions previously made by you, along with its employer contribution. The total contributions made to the scheme therefore remain unchanged.

- Your contractual salary will reduce by the amount that you previously paid into the pension scheme. Your unreduced salary will be known as your ‘Reference Salary’.

- As your salary is now lower, you and the University pay less National Insurance Contributions (NICs). This is in addition to the income tax relief already enjoyed.

- The level of benefits from your pension (RBP or USS) will not be affected. The salary used in calculating payments such as pay awards and overtime will not be affected as this will be based on your Reference Salary.

As a member of Pensions+ you are accepting a change to your Terms and Conditions of Employment. This is because you are giving up salary equivalent to the amount of money that would be payable to the pension scheme without Pensions+.

How much will I save under Pensions+?

Some examples of savings are provided below to help illustrate what happens under Pensions+ at different salary levels.
<table>
<thead>
<tr>
<th>SALARY £</th>
<th>USS CONTRIBUTION £ p.a. (8%)</th>
<th>MAXIMUM ANNUAL SAVING £</th>
<th>RBP CONTRIBUTION £ p.a. (6.75%)</th>
<th>MAXIMUM ANNUAL SAVING £</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>1,200</td>
<td>144.00</td>
<td>1,012.50</td>
<td>121.50</td>
</tr>
<tr>
<td>20,000</td>
<td>1,600</td>
<td>192.00</td>
<td>1,350.00</td>
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</tr>
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</tr>
<tr>
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<td>4,400</td>
<td>528.00</td>
<td>3,712.50</td>
<td>445.56</td>
</tr>
</tbody>
</table>

The savings are based upon the marginal rate of NICs that is payable on the salary that is given up as a pension contribution.

For earnings between £8,164 and £45,000 the NICs rate is 12%. For earnings above the Upper Earnings Limit (UEL), which from April 2017\(^1\) is £45,000 per annum, the employee NICs rate is just 2%. This explains why the savings vary depending on the level of pay.

**How does Pensions+ affect my pay, other pay elements and University provided benefits?**

Pensions+ does **not** reduce any salary-related payments (such as your final salary pension benefit or overtime) or any benefits that you receive from the University: these are based on your **Reference Salary**. It does however reduce your NICs, leaving you with increased take home pay.

**I am over State Pension Age so there are no NICs savings for me, but there are for the University. Could I lose out by being in Pensions+?**

No, if you are over State Pension Age you do not accrue further entitlement to state benefits. Nor do you lose out on any pay or pension benefits.

**What is a Reference Salary?**

Participating employees will have a **Reference Salary** (referred to as “Monthly Salary” on your payslip) which refers to your pay before taking account of any salary sacrifice adjustment. Your payslip will appear differently after salary sacrifice. The **Reference Salary** is the amount used to calculate your other salary-related benefits including salary increases, bonuses and overtime. It is also the amount used in

\(^1\) As at 6 April 2017. All rates reviewed annually.
personal official correspondence eg mortgage letters, loan applications or job references etc and will be the figure typically quoted in pay scales.

**Does this affect the amount of tax that I have to pay?**

The tax that you pay is not affected by Pensions+.

**How will Pensions+ affect my pension benefits?**

Your retirement benefits will remain unchanged. Your pension benefits are based on your pensionable salary. This is your annual salary or **Reference Salary** including any other pensionable earnings. Similarly, if you die whilst an active member of Pensions+, your Death in Service benefits will not be affected. Any benefits payable to survivors or dependants will also be unchanged.

**Does the level of my earnings affect whether I will benefit from Pensions+?**

The University has structured Pensions+ so that nearly all employees will benefit. However, there are some situations where we cannot completely guarantee this:

- If your gross earnings, after allowing for all benefits paid via salary sacrifice (eg pension contributions, Childcare Vouchers and Cycle to Work hire payments), fall below the National Minimum Wage (NMW) or National Living Wage (NLW) (depending on your age) it will not be lawful to remain in Pensions+ and you will automatically be defaulted to Contributory membership. If you earn less than £8,164 per annum **2** (Earnings Threshold), you will not pay NICs and will therefore not be able to benefit from Pensions+.

- Additionally, if you earn less than the Earnings Threshold after benefits paid via salary sacrifice, you may lose your entitlement to some state benefits (eg employees who work less than 16 hours per week may find their Job Seeker’s Allowance affected).

- The University has a Pay Protection Limit (PPL) of £9,000 a year **3** to ensure that no employees are worse off under Pensions+. If your earnings currently, or in the future, **fall below** this limit you will be taken out of Pensions automatically. Your pension payments will then be made on a Contributory basis only unless you confirm your wish to participate in Pensions+.

If your current earnings are below £9,000 a year and in the future **increase** above this limit you will automatically be enrolled into Pensions+ at the next anniversary date.

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**2** As at 6 April 2017. Reviewed annually.

**3** As at 6 April 2017. Reviewed annually.
You may opt into Pensions+ if you fall below the PPL (but remain above the NMW/NLW), and believe it will be of benefit to you, by completing an Opt-in form available from the Payroll and Pensions Office.

**Can salary sacrifice arrangements impact on state benefits?**

Rules for the calculation of state benefits may change. Currently if you earn over the Earnings Threshold your entitlement to state benefits is not affected. However, if you earn less than the Earnings Threshold, salary sacrifice may affect your entitlement to state benefits and tax credits where these are based on the amount of National Insurance that you pay or the amount of your earnings. For information on earnings-related benefits visit [https://www.gov.uk/browse/benefits](https://www.gov.uk/browse/benefits)

**Could the Government come back at a future date and reduce my State Pension as I paid less NI contributions by entering into Pensions+?**

No – State Pensions are not based on the amount of NICs you pay – rather the number of years that you have actually made NICs.

**How does Pensions+ impact on my tax credits (working tax credit and child tax credit)?**

Pension contributions are allowable deductions in the calculation of income for tax credits; hence the reduction in salary arising from Pensions+ is unlikely to impact on tax credits. You will need to consider your own individual circumstances. More information can be found at [www.direct.gov.uk/en/moneytaxandbenefits/taxcredits/index.htm](http://www.direct.gov.uk/en/moneytaxandbenefits/taxcredits/index.htm)

**What happens if I am on a fixed term contract that expires within two years of joining the pension scheme (ie RBP or USS)?**

If you are on a fixed term contract that will expire before you reach two years active pension membership, you will not be opted into Pensions+. You may, if you wish, opt-in by completing an Opt-in form, available from the Payroll and Pensions Office. However if you leave either Pension Scheme with less than two years active pension membership you will not be entitled to claim a refund of any pension contributions paid as Pensions+ members do not make contributions.

Fixed term employees who remain Contributory members (ie opted-out) will, after two years active pension membership, be automatically defaulted into Pensions+, for their standard contributions. This will take place at the next anniversary date and you will receive a letter at the time of the automatic opt-in reminding you of your options. For USS members this will include the 1% additional match, if you have elected to take it.

**What happens if I leave the University or the pension scheme with less than two years active pension membership?**
Legislation allows members of occupational pension schemes to request a refund of their contributions (less the statutory deductions) if they leave within the first two years of active pension membership, including service/benefits transferred from another scheme. If you participate in Pensions+ you would not be able to receive a refund for any period you are in Pensions+ as your contributions are being paid by the University.

A member leaving with “split service” (ie with pension membership on a contributory basis and on a salary sacrifice basis through Pensions+) must think carefully before choosing a refund of member contributions as the value of the return of the member contributions less the statutory deductions may be much less than the overall value of the other benefits available on leaving. For RBP and USS members with more than 3 months of pension membership there is the option to transfer the benefits into another suitable pension arrangement. USS members also have the option of becoming a deferred member.

RBP members must request a transfer within three months of leaving the University and the transfer must be completed within three months of the request being made or the benefits will be lost.

**What about Additional Voluntary Contributions (AVCs)?**

If you make regular monthly additional voluntary contribution payments these may be included in Pensions+ for RBP members. USS members can also take this option with effect from 1 July 2017. Taking this action will reduce your contractual salary further and result in further NIC savings. You must agree to a regular monthly payment.

If you wish to pay AVCs on an ad hoc basis you may do so but these payments cannot be paid through Pensions+.

From July 2013 members are able to Opt-out of Pensions+ at any time during the year by requesting a change to their Terms and Conditions of Employment. Current AVC contributors should consider carefully whether they wish their AVCs to be paid under Pensions+ and cannot reduce their gross salary below the National Minimum/Living Wage.

**RBP members:** To make a regular monthly AVC payment please complete the AVC Opt-in form available from the Payroll and Pensions Office.

**USS members:** With effect from 1 July 2017, if you are making regular monthly AVC payments these can be included in Pensions+ by making the election to salary sacrifice your contribution at the time of arranging the AVC via MyUSS - ‘Manage my contributions’ section.

If you are a USS member who has elected to take the 1% match, this additional contribution will be treated in the same way as your standard contributions.
What happens if I am on maternity/paternity/adoption leave?

Although salary sacrifice can reduce the amount of Statutory Maternity Pay (SMP) a woman is entitled to, for those who have more than 52 weeks service at the Qualifying Week, the University ensures that participating employees are no worse off by paying Occupational Maternity Pay (as defined in the Maternity Policy).

For employees with more than 26 but less than 52 weeks service as at the Qualifying Week, participation in salary sacrifice could result in a reduced SMP payment for the first 6 weeks of your maternity leave. This is because SMP is calculated on the amount of average weekly earnings during the 8-week period, fifteen weeks prior to the expected date of childbirth. By participating in salary sacrifice there is a reduction of salary for NIC purposes during this period which can then reduce entitlement. In these circumstances the University will ensure there is no detriment to any employee with salary sacrifice arrangements by paying a “top-up” payment equal to the amount you would have received, if you were not participating in salary sacrifice.

Similar arrangements apply for members on adoption or paternity leave.

What happens if I go on study leave, sabbatical leave or secondment?

As long as you receive a monthly salary from the University equivalent to at least 1/12 of the PPL, as specified earlier, you will remain a member of Pensions+ providing you remain in active pension membership.

How will Pensions+ affect my student loan repayments?

Student loan repayments are based on your total gross salary. Your total gross salary will be reduced by an amount equal to your gross pension contribution if you participate in Pensions+, therefore, your student loan repayment will be reduced to reflect this and may take longer to repay in full.

What happens if I subsequently sign up to another salary sacrifice benefit and the combined impact takes my salary below the Earnings Threshold, NMW or NLW threshold?

Participation in several salary sacrifice schemes must be considered carefully to ensure NMW or NLW requirements are met, together with the Earnings Threshold. Under the Minimum Wage legislation you are not permitted to reduce your gross income below the NMW / NLW threshold. If you are currently participating in or considering joining another salary sacrifice scheme in the University, and you think the combined impact may reduce your salary below the NMW / NLW or Earnings Threshold (for NIC purposes) please contact the Payroll and Pensions Office for further guidance. The options available to you depend on which salary sacrifice you are interested in.
Can I choose to opt-in or opt-out of Pensions+ at any time?

You may choose to opt-in at the Pensions+ Anniversary date (1 July). Opting-in at other times may be possible if you have experience of a 'Lifestyle Change'. Further guidance available at [https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye](https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye)

Opting-out can take place at any time during the year. Opting-in and opting-out constitutes a change to your Terms and Conditions of Employment. You are still eligible to participate in the pension as a contributory member if you do not wish to participate in Pensions+.

Will Pensions+ be around forever?

It is planned that Pensions+ will operate indefinitely. However, the University reserves the right to withdraw Pensions+ if, for example, tax, NIC or pensions law or practice changes.

You will not have to pay back any of the savings you have made if Pensions+ is withdrawn in future.

I've still got more questions, where can I get further information?

Please email pensions-enquiries@ncl.ac.uk. Your query will be directed to the appropriate University representative. The University’s Payroll and Pensions Office can also be contacted on (0191) 208 6487.

Please note that this guide provides information based on pension scheme benefits and contribution rates in place at the time of writing. The details of all pension schemes referred to may vary from time to time. Examples included in this guide are for illustrative purposes only.

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Amended June 2017