|  |  |
| --- | --- |
| Ex_Uni_Logo_Word_Forms |  |

**PENSION SALARY EXCHANGE FOR USS (RETIREMENT INCOME BUILDER) and ERSS (EXETER RETIREMENT SAVING SCHEME) MEMBERS**

Introduction

This document explains how Pension Salary Exchange or Salary Sacrifice works and aims to answer any questions you may have.

Pension Salary Exchange changes the way pension contributions will be made. Under this scheme, you will exchange an amount from your salary equivalent to the pension contributions that you currently pay into the Exeter Retirement Saving Scheme (ERSS) excluding any Additional Voluntary Contributions you may pay to that scheme, the USS Retirement Income Builder and any Matched Additional Voluntary Contributions you pay to the USS Investment Builder scheme[[1]](#footnote-1). This will mean that the amount of National Insurance Contributions (NIC) that you pay each month will reduce, resulting in a potential increase in your take-home pay. The University will, in addition to its pension contributions, make an additional contribution equal to the amount of salary you have exchanged (except in the case of Unmatched AVCs).

The University will use the term ‘Reference Salary’ to refer to your annual salary before taking account of Pension Salary Exchange. Your Reference Salary will remain on the payslip for reference purposes. In addition, death in service benefits, pension benefits, future pay awards and all other benefits that are currently provided will continue to be based on your Reference Salary. We will refer to your pay after Pension Salary Exchange as ‘Adjusted Salary’.

We have set out below, under *Frequently Asked Questions*, details of how the Salary Exchange arrangement works together with answers to some questions you might have. We ask that you read this carefully as participation in Pension Salary Exchange constitutes a change to your terms and conditions of employment. Details of these changes can be found under *Changes to terms and conditions of employment* at the end of this document.

Many other employers have similar schemes. Of course, like any benefit plan, it is important to stress that Pension Salary Exchange is based on current taxation and National Insurance law and practice. If these change, or if there is no longer a benefit in participating in this arrangement, the University reserves the right to withdraw Pension Salary Exchange, but you would be no worse off than if you had continued to make contributions directly from your salary into the pension scheme. In the meantime you may have benefited from increased take home pay.

I hope that you enjoy the financial benefits of participating in Pension Salary Exchange.

Alison Rose

Pension and Reward Advisor

Human Resources

December 2016

**Frequently Asked Questions**

We have set out below answers to some questions that you may have in relation to the introduction of Pension Salary Exchange and how the arrangement will affect you.

1. ***How does Pension Salary Exchange work?***

For members of ERSS (Exeter Retirement Saving Scheme)

* + You will stop making your employee pension contributions based on the Band that you are in to the University of Exeter Retirement Savings Scheme (the ERSS).
  + The University will pay an additional amount equivalent to your employee pension contribution directly into the ERSS

For members of USS

* + You will stop making your employee pension contributions of 8% or 9% to the USS.
  + The University will pay an additional amount equivalent to your employee pension contribution directly into the USS.
  + Your contractual gross pay will be reduced by the amount that you used to pay into the ERSS /USS.
  + As a result your take home pay will increase because you are paying less National Insurance Contributions (NIC). This is because the employee pension contributions that you previously paid were subject to NIC whereas the employer contributions that will be paid in the future are not. The University will also make NIC savings in the same way.
  + Additional Voluntary Contributions (AVC) paid to the ERSS will not form part of Pension Salary Exchange.
  + Additional Voluntary Contributions (AVC) paid to the USS Investment Builder under the “Matched” arrangement will form part of Pension Salary Exchange but those paid as “unmatched” will NOT form part of the Pensions Salary Exchange

1. ***Why does the University have Pension Salary Exchange?***

Pension Salary Exchange will maximise your take home pay by reducing your NI contributions. At the same time Pension Salary Exchange will allow the University to make employer’s NIC savings which will help to reduce costs – a win-win situation. The increase in your take home pay under Pension Salary Exchange depends on your Annual Salary.

See [www.exeter.ac.uk/staff/employment/pensions/generalinformation/salaryexchange/](http://www.exeter.ac.uk/staff/employment/pensions/generalinformation/salaryexchange/) for an indication of the annual NIC savings available to employees.

1. ***How will this affect my salary?***

For employees of the University of Exeter who participate in the Pension Salary Exchange Scheme, the pension scheme will operate on the basis that all normal contributions are paid by the University.

Therefore, from the date you join the Pension Salary Exchange Scheme, you will no longer pay employee pension contributions directly from your salary. Instead, yoursalary will be reduced by the amount of pension contributions that you pay into the pension scheme. This revised salary will be known as your Adjusted Salary. In exchange for this reduction in your salary, the University will make an equivalent additional employer contribution to the pension scheme. This is known as “Pension Salary Exchange”.

Other benefits will continue to be based on your Reference Salary. Reference Salary is a term we will use to mean your basic salary before taking account of any Pension Salary Exchange adjustment.

Examples of how much savings in employee National Insurance Contributions you will receive by participating in Pension Salary Exchange can be found at:

www.exeter.ac.uk/pensions/salaryexchange/

1. ***Why do I need to agree to a reduction in pay?***

To make these changes the University will need to agree amendments to your Conditions of Employment. It is important that you understand and agree to the changes to your basic pay. If you are eligible to participate in Pension Salary Exchange you will automatically be included after three full calendar months of employment (see Question 7). Unless you opt out of Pension Salary Exchange we will determine that you have accepted the changes to your Conditions of Employment.

If you are in the USS and you do not wish to participate in Pension Salary Exchange, you should request an opt-out form within the first three months of your employment with the University by contacting the pay and benefits team on extension 3731 or 2539 (or email payandbenefits@exeter.ac.uk).

1. ***Will my Pensionable Salary remain the same?***

Yes. Your Pensionable Salary will continue to be calculated as at present, i.e. based on your Reference Salary.

1. ***I am paid allowances which are pensionable, how are these affected by Pension Salary Exchange?***

Pension Salary Exchange will be applied to all pensionable allowances in the same way that it is applied to your basic pay (but you should note that not all allowances are pensionable).

1. ***Am I eligible to participate in Pension Salary Exchange?***

If you are a member of the pension scheme USS or ERSS, you are eligible to participate in Pension Salary Exchange. Under the rules of the scheme, new employees who become members of the pension scheme become eligible to participate in Pension Salary Exchange after three full calendar months of employment. This means that you will pay employee pension contributions until you have completed three full calendar months’ service and then you will automatically participate in the Pension Salary Exchange scheme from the 1st of the month following this date – unless you exercise your right to opt-out (see Question 4).

(So, if you commenced your employment with the University on 1 August, you would pay employee pension contributions in August, September and October and automatically become part of Pension Salary Exchange from 1 November. If you wanted to opt-out of the scheme, then it would be necessary for your completed opt-out form to be returned no later than 31 October. If your employment started on 13 August, you would pay employee pension contributions in August, September, October and November and automatically become part of Pension Salary Exchange from 1 December. If you did not want to participate, you would need to have returned an opt-out form to the Pay and Benefits Team in Human Resources by 30 November.)

Similarly, if you did not join the pension scheme immediately upon commencing your employment but elect to join at a later date, the same arrangements will apply – i.e. once you have completed three full calendar months’ service in the scheme you will automatically participate in the Pension Salary Exchange scheme.

You will not be able to participate in Pension Salary Exchange if the combined salary exchange for pension contributions and the salary exchange for any other schemes you may participate in (either now or in the future) would bring your Adjusted Salary to below the National Minimum Wage/National Living Wage/National Living Wage/ National Living Wage. (See [www.exeter.ac.uk/staff/employment/pensions/salaryexchange/](http://www.exeter.ac.uk/staff/employment/pensions/salaryexchange/) for the current rate for the National Minimum Wage/National Living Wage/National Living Wage/National Living wage). We will monitor pay levels and advise you if you are likely to be affected, however, if your circumstances change and you think you might fall into this category you should contact the Pay and Benefits team at [Payandbenefits@exeter.ac.uk](mailto:Payandbenefits@exeter.ac.uk).

1. ***What happens if there are several Salary Exchange benefits?***

At present, the University offers the following benefits through Salary Exchange: childcare vouchers, cycle-to-work scheme, car parking and car scheme.

You will be able to participate in all the Salary Exchange benefits as long as this does not bring your Adjusted Salary to below the National Minimum Wage/National Living Wage/National Living Wage/National Living Wage or the Primary Earnings Threshold for NIC purposes (see Question 14). If this does become an issue, the order of benefits will be:

* Pension Salary Exchange
* childcare vouchers
* car scheme
* cycle-to-work scheme
* And then any further Salary Exchange benefits that may be introduced.

1. ***If I agree to participate in Pension Salary Exchange will it affect any other payments?***

All future pay rises will continue to be based on your Reference Salary. All of your pay-related benefits will also be calculated on your Reference Salary. However, Statutory Maternity Pay, Statutory Adoption Pay and Shared Parental Leave Pay may be affected (see Question 17).

1. ***Will I still get the same benefits from the USS Retirement Income Builder Scheme at retirement?***

Your benefits under the USS will be based on your Reference Salary. Therefore, the calculation of your pension benefits will be unchanged.

1. ***Will I still get the same benefits from the ERSS (Exeter Retirement Savings Scheme) at retirement?***

The benefits under this arrangement are based on the contribution paid into the fund and the investment returns. As contributions are based on your Reference Salary the amount going into the fund will be unchanged

1. ***If my salary is being reduced how will I be able to check my overtime etc has been worked out correctly and paid to me?***

Your Reference Salary will still show on your payslip.

Additional payments that are based on salary (for example: night shift allowance, holiday pay and overtime) will be calculated using your Reference Salary.

Your payslip will look slightly different depending on which pension scheme you participate in. For those in USS it will show USS SX Pension 2016 and for those in ERSS it will show ERSS SX.

1. ***Will Pension Salary Exchange affect the amount of tax relief I receive?***

No, the amount of tax relief received will not be affected.

1. ***Are there any circumstances where it may not be advantageous to participate?***

It will not be advantageous for you to participate if any of the following apply to you:

* + - Your earnings are close to the National Minimum Wage/National Living Wage/National Living Wage
    - Your earnings are close to the Primary Earnings Threshold for NIC purposes. (See [www.exeter.ac.uk/staff/employment/pensions/salaryexchange/](http://www.exeter.ac.uk/staff/employment/pensions/salaryexchange/) for the current rate for the Primary Earnings Threshold.)

If we think either of the above applies to you, we will contact you separately. However, if you believe that you may fall into one of the above categories, please contact the Pay and Benefits team at Payandbenefits@exeter.ac.uk.

1. ***I am over the State retirement age and therefore do not pay NIC. Can I participate in Pension Salary Exchange?***

If you are over the State retirement age (details of the State Retirement Age can be found on www.gov.uk/browse/working/state-pension) you will not pay NIC on your earnings and as a result you will not see any change in your take home pay through participating in Pension Salary Exchange. However, the University is still required to pay employer’s NIC and will therefore make a saving which will help to reduce its costs. If you do not wish to participate in Pension Salary Exchange, you can request an opt-out form from the Pay and Benefits team in Human Resources which should be completed and returned to Payandbenefits@exeter.ac.uk no later than the end of your third complete calendar month of employment (see Question 7).

1. ***Will Pension Salary Exchange affect Statutory Maternity Pay (SMP)?***

Employees who will have completed 26 weeks service ending with the qualifying week and earn above the lower earnings level are entitled to receive University Maternity Pay (UMP). This is 8 weeks at full pay including SMP, followed by 16 weeks at half pay plus Statutory Maternity Pay (SMP), and then 15 weeks at the lower of standard rate of SMP or 90% of average weekly earnings, then 13 weeks unpaid.

Employees who will have completed 26 weeks service ending with the qualifying week and earn below the lower earnings level are entitled to receive University Maternity Pay (UMP). This is 8 weeks at full pay less deductions for benefits paid by the Department for Work and Pensions (DWP), followed by 16 weeks at half pay subject to a maximum of full pay when combined with payments from DWP and then 15 weeks of benefits from DWP (if eligible), then 13 weeks unpaid.

Employees who are not entitled to receive University Maternity Pay (and employees who are entitled to UMP but elect to receive SMP only during their maternity leave) should note that SMP will be based on your Adjusted Salary in accordance with statutory requirements. This means that for the first six weeks of your maternity leave, when SMP is based on 90% of your average weekly earnings (for the 8 weeks prior to the 15th week before the EWC), the SMP you receive will be 90% of your Adjusted Salary (which will be less than 90% of your Reference Salary). However, to prevent this reduction in the higher rate of SMP which you will receive in the first six weeks of your maternity leave, you will be able to opt out of Pension Salary Exchange under the “notification of pregnancy” Lifestyle Event (see Question 27).

1. ***Will Pension Salary Exchange affect Adoption Pay?***

As above with maternity, it will only have an effect when you receive SAP only as,when SAP is based on 90% of your average weekly earnings (for the 8 weeks prior to the 15th week before the EWC), the SAP you receive will be 90% of your Adjusted Salary (which will be less than 90% of your Reference Salary). However, to prevent this reduction in the higher rate of SAP which you will receive in the first six weeks of your adoption leave, you will be able to opt out of Pension Salary Exchange under the “notification of pregnancy” Lifestyle Event (see Question 27).

1. ***Will Pension Salary Exchange affect Shared Parental Leave Pay?***

As above with maternity and adoption if taking UShPP and, if only taking statutory ShPP, it is not affected as it is a flat rate for the full 39 weeks.

1. ***What if I need a reference for a mortgage or a loan?***

We will advise lenders of the amount of your Reference Salary.

1. ***What happens to my pension if I cease employment with the University and leave the USS?***

If you cease employment with the University and leave the USS with more than two years service there will be no change. You will have the choice of a deferred pension or a transfer value of your deferred benefits.

Currently, if you leave with less than two years’ service you have the same options as above (a deferred pension or a transfer value) plus the option of a refund of your own contributions (less statutory deductions). Under Pension Salary Exchange you will no longer make employee contributions and therefore you will not be able to receive a refund of any additional employer contributions made under Pension Salary Exchange. Please contact the Pay and Benefits team in Human Resources if you require further details of the options.

1. ***What happens to my pension if I cease employment with the University and leave the ERSS (Exeter Retirement Savings Scheme)?***

As the funds in the ERSS are based in an individual account you will be able to leave them with the provider in your personal account to claim at a later date – there will be no change in the rules around the funds if you were a member of the Pension Salary Exchange Scheme.

1. ***Will Pension Salary Exchange*** ***impact on my Tax Credits?***

No, participation in Pension Salary Exchange will not impact on any HM Revenue & Customs Tax Credits.

1. ***What about State pension benefits?***

Being a member of the Pension Salary Exchange Scheme may affect an employee’s entitlement to contribution based benefits such as Incapacity Benefit and State Pension. Salary sacrifice may reduce the cash earnings on which NICs are charged. Employees may, therefore, pay – or be treated as paying – less or no NICs. For more details please go to [www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye](http://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye)

1. ***Will Pension Salary Exchange have any impact on my payments to the Child Support Agency (CSA)?***

Child maintenance payments to the CSA are calculated with reference to your net income i.e. your pay after the deduction of pension contributions, tax and NIC. Under Pension Salary Exchange, your net income increases because you are paying less NIC and your child maintenance payments may therefore increase as a result.

If you decide to participate in Pension Salary Exchange you should notify the CSA of the change in your net income immediately. Contact details for the CSA and further details can be obtained from the CSA’s website at [www.csa.gov.uk](http://www.csa.gov.uk).

1. ***Will my student loan repayments be affected?***

If you are repaying a student loan taken out with the Student Loans Company, your student loan repayments may be reduced slightly as a result of participating in Pension Salary Exchange. This is because your repayments are calculated based on your gross earnings, which will be reduced under Pension Salary Exchange by the salary exchange.

1. ***Do I have to do anything to participate, e.g. sign any forms?***

No. You do not need to take any further action as you will be included automatically in Pension Salary Exchange after three full calendar months of employment (see Question 7).

1. ***What if I do not want to participate in Pension Salary Exchange?***

Should you choose not to participate, you can request an opt-out form from the Pay and Benefits Team in Human Resources which should be completed and returned to the team no later than the end of your third complete calendar month of employment (see Question 7)\*.

If you choose to opt out of Pension Salary Exchange you will still be able to participate in the USS or the Exeter Retirement Savings Scheme (ERSS) but will not be able to take advantage of the NIC savings resulting in an increase in take home pay which is achievable through participating in Pension Salary Exchange.

1. **What if I change my mind or my circumstances change?**

If you decide to participate in Pension Salary Exchange you will not be able to opt-out until next 31 March and thereafter any subsequent 31 March, unless you experience one of the following “Life-changing Events”:

* going on, or returning from maternity, adoption leave or shared parental leave
* pay reducing to statutory payments only
* going on, or returning from unpaid leave
* pay being materially reduced
* notification of pregnancy

In these cases you may, with the University’s consent, opt-out of Pension Salary Exchange\*.

If you decide to opt out of Pension Salary Exchange you will have the opportunity to review your decision and elect to participate in Pension Salary Exchange with effect from next 1 April and thereafter any subsequent 1 April. You will also be able to elect to participate in Pension Salary Exchange if you experience one of the lifestyle events listed above.

1. ***Who can I ask if I have any additional questions?***

If you have any additional questions please contact the Pay and Benefits Team in Human Resources in the first instance – telephone extension 3731 or 2539 or email [payandbenefits@exeter.ac.uk](mailto:payandbenefits@exeter.ac.uk) further information is also available from the staff pages of the University website at: www.exeter.ac.uk/pensions/salaryexchange/

\* In the event that you do not wish to participate in Pension Salary Exchange, you should request an opt-out form by contacting the Pay and Benefits Team in Human Resources on extension 3731 or 2539 (or email [a.j.rose@exeter.ac.uk](mailto:a.j.rose@exeter.ac.uk)).

APPENDIX

This chart shows the date that new employees will participate in Pension Salary Exchange after the commencement of their employment with the University of Exeter.

Employees will automatically participate in Pension Salary Exchange without any further notification from the University on the date shown in the right hand column unless they have opted out by the end of the preceding month.

In the event that a new employee does not wish to participate in Pension Salary Exchange, they should request an opt-out form within the first three months of their employment with the University by contacting the Pay and Benefits Team in Human Resources on extension 3731 or 2539 (or email a.j.rose@exeter.ac.uk). The completed opt-out form should be returned to the Pay and Benefits Team in Human Resources no later than the end of the employee’s third complete calendar month of employment. An opt-out will not be effective unless and until the University confirms this to the individual.

|  |  |  |
| --- | --- | --- |
| Date of commencement of employment with the University\* | Employee pays pension contributions for the following payroll periods | Date join Pension Salary Exchange |
| 1 August | August, September, October | 1 November |
| mid-August | August, September, October, November | 1 December |
| 1 September | September, October, November | 1 December |
| Mid-September | September, October, November, December | 1 January |
| 1 October | October, November, December | 1 January |
| Mid-October | October, November, December, January | 1 February |
| 1 November | November, December, January | 1 February |
| Mid-November | November, December, January, February | 1 March |
| 1 December | December, January, February | 1 March |
| Mid-December | December, January, February, March | 1 April |
| 1 January | January, February, March | 1 April |
| Mid-January | January, February, March, April | 1 May |
| 1 February | February, March, April | 1 May |
| Mid-February | February, March, April, May | 1 June |
| 1 March | March, April, May | 1 June |
| Mid-March | March, April, May, June | 1 July |
| 1 April | April, May, June | 1 July |
| Mid-April | April, May, June, July | 1 August |
| 1 May | May, June, July | 1 August |
| Mid-May | May, June, July, August | 1 September |
| 1 June | June, July, August | 1 September |
| Mid-June | June, July, August, September | 1 October |
| 1 July | July, August, September | 1 October |
| Mid-July | July, August, September, October | 1 November |

\* assuming that employee joins pension scheme from date of commencement of their employment.



PENSION SALARY EXCHANGE FOR USS MEMBERS

**CHANGES TO CONDITIONS OF EMPLOYMENT**

|  |  |
| --- | --- |
| Annual Salary: | The statement of terms and conditions set out in your contract of employment with The University of Exeter (“the University”) sets out your level of annual salary, and this may be amended over time. The changes under Pension Salary Exchange will mean that your level of annual salary (your annual salary, not including overtime and other supplementary payments) will be reduced by 8% - if you are paying the matched AVC this will be 9% (“the pension salary exchange”) and in return an equivalent amount will be paid by the University as an employer pension contribution into the Universities Superannuation Scheme (USS).  However, your pre-reduction pay will still be used to calculate other benefits and will be referred to as “Reference Salary”. Future pay awards will continue to be based on Reference Salary and be notified to staff by the University. |
| Adjusted Salary: | This means your Reference Salary, as amended from time to time, but which has been reduced by the pension salary exchange. |
| Overtime: | If you are entitled to additional payment for overtime working, this will be calculated on your Reference Salary. |
| Holiday Pay: | Any holiday pay on leaving (whether owed by you or the University) will be based on Reference Salary. |
| Other payments and allowances: | All other payments and allowances payable by the University that are earnings-related will also be based on Reference Salary. |
| Pension Scheme: | The University reserves the right to amend or discontinue Pension Salary Exchange should the University determine that it is appropriate for it to do so taking into account such matters as it may determine relevant from time to time including changes to UK tax legislation.  You will not be able to opt-out of Pension Salary Exchange until next 31 March and thereafter any subsequent 31 March unless you have one of the following lifestyle changes:   * going on, or returning from maternity or adoption leave * pay reducing to statutory payments only * going on, or returning from unpaid leave * pay being materially reduced * notification of pregnancy   in which case you may, with the University’s consent, opt-out of Pension Salary Exchange\*. |

\* In the event that you do not wish to participate in Pension Salary Exchange, you should request an opt-out form by contacting the Pay and Benefits Team in Human Resources on extension 3731 or 2539 (or email [a.j.rose@exeter.ac.uk](mailto:a.j.rose@exeter.ac.uk)).



PENSION SALARY EXCHANGE FOR ERSS (EXETER RETIREMENT SAVING SCHEME) MEMBERS

**CHANGES TO TERMS AND CONDITIONS OF EMPLOYMENT**

|  |  |
| --- | --- |
| Annual Salary: | The statement of terms and conditions set out in your contract of employment with The University of Exeter (“the University”) sets out your level of annual salary, and this may be amended over time. The changes under Pension Salary Exchange will mean that your level of annual salary (your annual salary, not including overtime and other supplementary payments) will be reduced by the Band level of contribution you have chosen – 3%, 4%, 6% or 8% (“the pension salary exchange”) and in return an equivalent amount will be paid by the University as an employer pension contribution into the Exeter Retirement Savings Scheme (ERSS).  However, your pre-reduction pay will still be used to calculate other benefits and will be referred to as “Reference Salary”. Future pay awards will continue to be based on Reference Salary and be notified to staff by the University. |
| Adjusted Salary: | This means your Reference Salary, as amended from time to time, but which has been reduced by the pension salary exchange. |
| Overtime: | If you are entitled to additional payment for overtime working, this will be calculated on your Reference Salary. |
| Holiday Pay: | Any holiday pay on leaving (whether owed by you or the University) will be based on Reference Salary. |
| Other payments and allowances: | All other payments and allowances payable by the University that are earnings-related will also be based on Reference Salary. |
| Pension Scheme: | The University reserves the right to amend or discontinue Pension Salary Exchange should the University determine that it is appropriate for it to do so taking into account such matters as it may determine relevant from time to time including changes to UK tax legislation.  You will not be able to opt-out of Pension Salary Exchange until next 31 March and thereafter any subsequent 31 March unless you have one of the following lifestyle changes:   * going on, or returning from maternity or adoption leave * pay reducing to statutory payments only * going on, or returning from unpaid leave * pay being materially reduced * notification of pregnancy   in which case you may, with the University’s consent, opt-out of Pension Salary Exchange\*. |

\* In the event that you do not wish to participate in Pension Salary Exchange, you should request an opt-out form by contacting the Pay and Benefits Team in Human Resources on extension 3731 or 2539 (or email [a.j.rose@exeter.ac.uk](mailto:a.j.rose@exeter.ac.uk)).

1. USS have two elements to their pension scheme, the Retirement Income Builder which is a Career Revalued scheme and the Investment Builder which is a Defined Contribution scheme. In this document when we refer to USS we are referring to all elements of the scheme. [↑](#footnote-ref-1)