

Pensions+:
a smarter way to pay for
your pension

USS & PAS

April 2016

Pensions+: a smarter way to pay for your pension

The University of Leeds is always looking for ways to improve your benefits package. In particular, we want to make sure it offers you good value and makes the most of your money. At the same time, it's important that the University makes the most of its money by providing your benefits efficiently.

That's why we introduced Pensions+ in June 2008. It means that almost all employees in the Universities Superannuation Scheme (USS) and the University of Leeds Pension and Assurance Scheme (PAS) will make National Insurance (NI) savings.

Pensions+ is not another pension scheme – it's simply a more effective way of paying into your existing pension scheme.

As we expect almost all employees to benefit, when you join the pension scheme you'll be automatically included – so you don't need to do anything else.

But if you decide you don't want to take part you can opt out – you'll need to complete an opt out form to do this.

If you are likely to be at the University for less than 24 months, and wish to retain the right to a refund of contributions on leaving, you will need to opt out of Pensions+.

You can still be a member of the pension scheme even if you do not wish to contribute via the Pensions+ route.

This booklet explains how Pensions+ works in more detail, including how to opt out. Further information can be found on the HR website www.leeds.ac.uk/hr/pensions

By taking part in Pensions+ you are agreeing to a change in your terms and conditions of employment from the beginning of the month in which you first start to participate in Pensions+.

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How does it work?

Although the same amount of money will go into the USS and PAS on your behalf, it will be paid by the University of Leeds. As a result, both you and the University pay less NI.

This is how it works:

1. You don't make pension contributions from your pensionable salary.
2. The University of Leeds pays an amount directly into your pension scheme equal to your contributions.
3. The University of Leeds then reduces your contractual basic salary by an amount equal to your contributions.
4. This means you pay less NI, so your take-home pay will increase.

We will still keep a record of your salary before Pensions+. This will be used for any salary related calculations, such as pay reviews, enhancements, overtime and paid leave (e.g. study leave, sick leave), so they will not be affected by Pensions+.

5 reasons why Pensions+ is good for you

1. You pay less NI so your take-home pay goes up, without affecting your income tax	✓
2. Your pay reviews and any enhancements and overtime are not affected	✓
3. Your pension still builds up based on your salary before any adjustment for Pensions+	✓
4. Life assurance and death benefits are based on your salary before any adjustment for Pensions+	✓
5. Your Basic State Pension is not affected	✓

Your salary before any adjustment for Pensions+ will also be the amount used in any personal official letters e.g. mortgage letters, loan applications or job references etc.

How much will I save by participating in Pensions+?

The following table shows approximately how much NI you can expect to save by participating in Pensions+ based on the NI rates for 2016/17.

Please note that this table shows the estimated savings for a PAS CARE section member paying 6.5% of pensionable salary or a USS member paying 8% of pensionable salary.

Annual pensionable salary	Estimated saving for a	
	USS Member 8% Per year	PAS CARE section 6.5% Per year
£10,000	£96	£78
£15,000	£144	£117
£20,000	£192	£156
£25,000	£240	£195
£30,000	£288	£234
£35,000	£336	£273
£40,000	£384	£312
£45,000*	£232	£151
£50,000*	£80	£65

* The rate of NI reduces from 12% to 2% on income above £43,000 meaning the NI saving is also restricted to 2%.

Here's an example to show what happens:

USS member, paying 8% contributions and earning £35,000 per year **before** Pensions+

Date	Payroll Ref.	Name	Month No.
30/06/16	12345678	Mrs Ann N Other	03
Pay Group		Location	
Monthly Salaries		Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code
BACS	1100L	ZZ123456Z	A
PAYMENTS		VALUE	DEDUCTIONS
Salary		2,916.67	Tax Paid
			National Insurance
			USS
TOTAL			TOTAL
PAYMENTS		2,916.67	DEDUCTIONS
			856.06
		NET PAYMENTS	
		2,060.61	

USS member earning £35,000 per year **after** Pensions+

Date	Payroll Ref.	Name	Month No.
30/06/16	12345678	Mrs Ann N Other	03
Pay Group		Location	
Monthly Salaries		Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code
BACS	1100L	ZZ123456Z	A
PAYMENTS		VALUE	DEDUCTIONS
Salary		2,916.67	Tax Paid
Pensions+		-233.33	National Insurance
TOTAL			TOTAL
PAYMENTS		2,683.34	DEDUCTIONS
			594.73
		NET PAYMENTS	
		2,088.61	

As a result of Pensions+ take home pay is increased by £28 per month (£336 per year)

Your pensionable salary will be based on your salary before Pensions+, including any other earnings as may be recognised by the University as pensionable. Your state pension will not be affected.

Note: members over State Pension Age do not pay any NI and as a result will not make an NI saving. However, you will still be included in Pensions+ as the University will continue to make savings on the NI it pays.

PAS Care member, paying 6.5% contributions and earning £25,000 per year **before** Pensions+

Date	Payroll Ref.	Name		Month No.
30/06/16	12345678	Mrs Ann N Other		03
Pay Group			Location	
Monthly Salaries			Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code	
BACS	1100L	ZZ123456Z	A	
PAYMENTS		VALUE	DEDUCTIONS	VALUE
Salary		2,083.33	Tax Paid	206.25
			National Insurance	169.40
			PAS	135.42
TOTAL			TOTAL	
PAYMENTS		2,083.33	DEDUCTIONS	511.07
			NET PAYMENTS	1,572.26

USS CRB or PAS member earning £25,000 per year **after** Pensions+

Date	Payroll Ref.	Name		Month No.
30/06/16	12345678	Mrs Ann N Other		03
Pay Group			Location	
Monthly Salaries			Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code	
BACS	1100L	ZZ123456Z	A	
PAYMENTS		VALUE	DEDUCTIONS	VALUE
Salary		2,083.33	Tax Paid	206.25
Pensions+		-135.58	National Insurance	153.15
TOTAL			TOTAL	
PAYMENTS		1,947.75	DEDUCTIONS	359.40
			NET PAYMENTS	1588.35

As a result of Pensions+ take home pay is increased by £16.09 per month (£193 per year).

Your pensionable salary will be based on your salary before Pensions+, including any other earnings as may be recognised by the University as pensionable. Your state pension will not be affected.

Note: members over State Pension Age do not pay any NI and as a result will not make an NI saving. However, you will still be included in Pensions+ as the University will still make savings on the NI it pays.

What do I need to consider?

Although most employees will benefit from Pensions+, there are some who may not for various reasons. These include:

- Members who earn less than the Earnings Threshold for NI contributions, currently £8,060 (2016/17). This is because you would not make any savings as you start making NI contributions from this level. Also, anyone earning less than the LEL (£5,824 for the 2016/17 tax year) might see their State benefits affected.

We have therefore set a lower pay limit, which is currently £10,000 a year (£833 a month) to ensure that no employees are worse off under Pensions+. If your earnings fall below this limit, you will not be able to participate and will be taken out of Pensions+ automatically. You will continue to pay your monthly pension contributions in the usual way.

- Although the University does not pay below the National Minimum Wage (NMW), there may be staff whose pay could fall below the NMW by participating in Pensions+. These staff will not be able to reduce their actual earnings below the NMW as it is illegal to do so. Therefore if your earnings fall below the NMW, you would not be able to participate and will be taken out of Pensions+ automatically. You will continue to pay your monthly pension contributions in the usual way.
- In addition, members who work less than 16 hours a week may find their Job Seekers Allowance affected. You will need to decide whether this is an issue for you and whether you wish to participate in Pensions+ or not.

What do I do next?

If you want to take part in Pensions+ you don't need to do anything.

If you want to opt out of Pensions+ you may do so, please contact the Pensions Department, ext 38823 for an opt-out form. You must complete and sign the form and return it to the Pensions Department, EC Stoner Building.

If you opt out you will still be a member of the pension scheme and will pay employee contributions however you will not benefit from any reductions to the NI you pay. You can subsequently decide to opt in from 1 April each year.

Where can I get more information?

If you have any questions, you may find the answers in the following section, if not, please visit www.leeds.ac.uk/hr/pensions or contact the Pensions+ Helpline on ext 38823.

If you are unsure about whether or not you should participate in Pensions+, you should seek your own financial advice. Details of an independent financial adviser (IFA) near you can be found by calling IFA Promotion Ltd on **0800 085 3250** or at: www.unbiased.co.uk. Remember, however, that Pensions+ is designed so that most members will benefit from taking part.

Here are some FAQs we think might help

Does this affect the pension I will get from the scheme?

No. Your pension will not be affected and continues to be a valuable benefit to you.

How much will I save?

It varies depending on your salary and which pension scheme you are in. Please see the section in the booklet 'How much will I save by participating in Pensions+' on page 4 for more information.

Why are savings different for different rates of pay?

The savings you make will depend on your actual contributions and the NI contribution rate applicable to you. For earnings up to £43,000 (2016/2017 tax year) you will pay 12%, above this you pay 2%.

Do I need to sign a new contract?

No. You will be deemed to have accepted the new terms unless you opt out and your existing contract will be varied to this effect.

Why are my terms and conditions of employment changed?

To benefit from the reduction in NI, it is necessary to reduce your contractual gross pay and increase employer pension contribution, which is a change to your terms and conditions of employment from the beginning of the month in which you first start to participate in Pensions+. This is the only change and there is no effect on any other element of your pay or benefits. In fact, you can be better off by participating in Pensions+.

I've only just started working at the University, am I eligible?

Yes. Every staff member is eligible, provided you are a member of either the USS or PAS.

How long will Pensions+ last?

The University plans to operate Pensions+ indefinitely. However, if Tax, NI or pension law is changed or if it is no longer viable for the University, we reserve the right to withdraw any part of Pensions+ and you would begin making pension contributions again. However, you wouldn't have to pay back any of the additional take-home pay you had received from the reduction to your NI contributions.

Were the Trustee and Union consulted when Pensions+ was introduced?

Yes, the USS and PAS Trustees and the Unions were consulted when the scheme was introduced and they agreed to its implementation.

Are other Universities doing this?

Many other Universities have already introduced an arrangement like Pensions+, including Edinburgh, Manchester, Durham and Bath.

What happens if my personal circumstances change and I become worse/better off as a result of Pensions+?

There are a number of 'Lifestyle Events' that allow you to opt out or join Pensions+ at the discretion of the University. For example, if you change working hours, or go on maternity, adoption or paternity leave. If you experience a change in lifestyle, please contact the Pensions+ Helpline on ext 38823.

You'll need to make sure the Pensions+ Helpline receives your instructions to either join or opt out of Pensions+ by the penultimate working day in the month to be effective from the following month. For example, if your Lifestyle Event occurs on 23 September and you let the Helpline know you want to opt out of Pensions+ on 30 October, the change will be reflected in your November pay. However, if you let the Helpline know on 31 October, this change will not be reflected until your December pay.

Can I opt out of Pensions+?

Yes. You will need to complete and return an opt-out form as soon as possible once you join the pension scheme. If you wish to opt out after this date, you can do so by informing us before the next opportunity to change, which will be 1 April each year.

If I decide to opt out, can I opt back in?

You will be able to opt back in, but will only be able to do this by informing us before the next opportunity to change, which will be 1 April each year.

If I have been opted out, can I choose to opt back in?

If you have been opted out of Pensions+ due to the level of your salary it is unlikely that you would benefit from opting back in. If your salary increases over the lower pay limit or your salary has increased and participating in Pensions+ would not adversely affect you, you may opt back into Pensions+ the following April. But, if any other personal circumstances change and you feel you may benefit from participating, please contact the pensions department on ext 38823.

What happens if I have more than one post at the University?

If you have more than one position with the University, we will use your **total** pay to see if Pensions+ will benefit you.

Will Pensions+ affect any benefits I get from the State?

Entitlement to some State benefits, such as Statutory Sick Pay, Incapacity Benefit and Job Seekers Allowance are based on the amount of NI you pay.

Provided you continue to earn more than the Lower Earnings Limit (LEL) (currently around £5,824 a year) on a regular basis after the introduction of Pensions+, your entitlement to these benefits will not change. The University of Leeds has introduced a lower pay limit to ensure no-one is worse off; therefore anyone with annual earnings below £10,000 will automatically be opted out of Pensions+.

Will Pensions+ affect any statutory benefits I'm entitled to?

As Pensions+ reduces your gross basic salary this can affect the amount of certain statutory benefits to which you are entitled, such as Statutory Maternity, Paternity and Adoption Pay. These statutory benefits are calculated using your salary after the Pensions+ adjustment has

been made and this could mean you get paid less Statutory Maternity, Paternity or Adoption Pay. The University of Leeds will top-up your payments so you get the same as if you had not participated in Pensions+. This does mean that the University will incur a small additional cost to provide you with this level of pay in these circumstances.

Please call the Pensions+ Helpline on ext 38823 to receive general guidance on the impact of Pensions+ and to help you decide whether or not to opt out. If whilst on maternity leave your salary drops below the lower pay limit (£10,000) then you will automatically be opted out. If your salary increases, and opting back into Pensions+ would be a benefit, you will automatically be opted in the following April.

What happens if I am entitled or may be entitled to Working Tax credit or Child Tax credit?

The reduced cash salary paid to you (after the Pensions+ payment is deducted from your salary) is the figure used when calculating your entitlement to these credits. You should think about any impact on these credits before you participate in Pensions+.

I have childcare vouchers and Cycle to Work. Will these be affected?

This will depend on your personal circumstances, but for most people the answer will be no. Both these schemes work in the same way as Pensions+ and are known as 'salary sacrifice' by HMRC. Please note that the check for National Minimum Wage and the lower pay limit will be on your combined sacrifices ie childcare vouchers and cycle to work and Pensions+. Any future similar arrangements will also need to be included as well.

I am on a secondment/have been posted abroad/on sick leave/on a sabbatical or on unpaid leave – am I eligible for Pensions+?

As long as you receive a salary of over £10,000 pa from the University, would not otherwise fall below the NMW, pay NI contributions and are a member of the USS or PAS, you will automatically be opted into Pensions+. If you do not meet one or more of these criteria you will automatically be opted out.

Will Pensions+ affect the pay I receive while on maternity/adoption leave?

You will NOT be automatically opted out and your pay may be affected. As this is a Lifestyle Event, you can decide to opt out of Pensions+ if you think it will adversely affect your pay.

Please call the Pensions+ Helpline on ext 38823 to receive general guidance on the impact of Pensions+ and to help you decide whether or not to opt out.

If you opt out of Pensions+ when on maternity/adoption leave and want to join when you return to work, you can do so as long it does not take your earnings below the LEL or NMW.

I have been on maternity leave – am I eligible for Pensions+ on my return?

Yes. If your earnings are above £10,000 pa when you return to work, you will be included in Pensions+ (unless you decide to opt out). If you are below this limit, you will be automatically opted out of Pensions+.

Will Pensions+ affect any pension I am entitled to from the State?

Pensions+ will not affect your State Pension.

What if I am over State Pension Age?

If you have reached the State Pension Age this means that you don't pay any NI so you will not make any savings, although the University still makes savings.

Will AVCs be included in Pensions+?

No, any monthly AVCs you've chosen to make will be excluded from Pensions+.

What happens if I leave the University of Leeds or the pension scheme?

If you leave the University or decide to leave the pension scheme, and have been a member of the USS or PAS for two years or more, Pensions+ will not change anything.

If you leave before completing two years' membership the following will apply:

- 0 - 3 months membership: you will receive a payment of an amount equivalent to your pension contributions, less a deduction for tax and NI.
- 3 - 24 months: your benefits will be deferred in the USS or PAS and you have the option to transfer this to an alternative pension arrangement.

It is therefore important that if you are likely to be at the University for less than 24 months and wish to retain the right to a refund of contributions on leaving, you will need to opt out of Pensions+.

What happens if I retire?

Participating in Pensions+ will have no impact on your retirement benefits.

Will my Student Loan be affected by Pensions+?

Student loans are based on pay that is subject to National Insurance (NI'able pay). The pay threshold for repayment of student loans will vary, depending on when you left higher education. As Pensions+ reduces pay (and hence the NI that is payable), the amount of student loan repayments you make may therefore reduce.

Pensions+ may result in earnings falling below the monthly threshold in which case no repayments would be made.

How will life assurance and death benefits be affected?

Your death in service benefits will not be affected by Pensions+. These will continue to be calculated before any adjustment for Pensions+.

Other useful resources

Tax Credit Helpline

For more information about whether this would affect your tax credits please call **0845 300 3900** between 8am and 8pm.

State Pension Advice Helpline

Visit www.thepensionservice.gov.uk for more information, or you can call The Pension Service Monday to Friday from 8.00am to 8.00pm on **0845 60 60 265**.

Independent financial advice

Visit IFA Promotion Ltd at www.unbiased.co.uk.

General Financial guidance

The website www.moneyadviceservice.org.uk has an excellent section on pensions, together with many useful calculators