

Pensions+
a smarter way to pay for
your pension

DC Plan

January 2020

Pensions+

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 a pension scheme at the University 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 we will operate the scheme as follows;

- **If you opt into the DC Pension Plan, you'll be automatically included – so you don't need to do anything else.**
- **If you are automatically enrolled into the DC Plan, we will put you into Pensions+ if you meet the eligibility criteria for the scheme**

However, if you decide that you don't want to take part in Pensions+ you can opt out – you'll need to complete an opt out form to do this.

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 general information about pension benefits at the University can be found on the HR website;

http://hr.leeds.ac.uk/info/41/pensions/284/pensions_at_leeds

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+.

January 2020

How does it work?

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

This is how it works:

1. You don't make pension contributions from your pensionable salary.
2. The University of Leeds will make an enhanced employer pension contribution representing its normal contribution and an amount equivalent to your contribution had you not participated in Pensions+
3. Under the salary sacrifice arrangement the University of Leeds will then reduce your contractual gross salary by an amount equal to your contributions that would have been deducted had you not participated in Pensions+.
4. This means you pay less NI, so your take-home pay will increase.

We will still keep a record of your original gross 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. The contributions to your DC Plan are still 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 original gross 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 2019/2020.

Please note that this table shows the estimated savings for a DC member currently paying 3% or 5% of pensionable salary.

Annual pensionable salary	Estimated saving	
	3% Per year	5% Per year
£10,000	£36	£60
£15,000	£54	£90
£20,000	£72	£120
£25,000	£90	£150
£30,000	£108	£180

Here's an example to show what happens:

Member earning £15,000 per year **before** Pensions+ and currently paying 3% scheme contributions

Date	Payroll Ref.	Name	Month No.
30/09/19	12345678	Mrs Ann N Other	06
Pay Group Monthly Salaries		Location Payroll Contact XXXXXXXXX	
Pay Method BACS	Tax Code 1250L	NI Number ZZ123456Z	NI Code A
PAYMENTS		VALUE	DEDUCTIONS
Salary		1,250.00	Tax Paid
			34.17
			National Insurance
			63.68
			DC
			37.50
TOTAL PAYMENTS		1,250.00	TOTAL DEDUCTIONS
			135.35
		NET PAYMENTS	
		1,114.65	

Member earning £15,000 per year **after** Pensions+ and currently paying 3% scheme contributions

Date 30/09/19	Payroll Ref. 12345678	Name Mrs Ann N Other		Month No. 06
Pay Group Monthly Salaries			Location Payroll Contact XXXXXXXX	
Pay Method BACS	Tax Code 1250L	NI Number ZZ123456Z	NI Code A	
PAYMENTS		VALUE	DEDUCTIONS	VALUE
Salary		1,250	Tax Paid	34.17
Pensions+		-37.50	National Insurance	59.18
TOTAL PAYMENTS		1,212.50	TOTAL DEDUCTIONS	93.35
		NET PAYMENTS		1,119.15

As a result of Pensions+ this employee takes home £4.50 more per month (£54 per year).

Your pensionable salary, on which your pension contributions will be based, will be your salary before Pensions+, including any other earnings as may be recognised by the University as pensionable. Your basic 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.

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 £8,632 (2019/20). This is because you would not make any savings as you start making NI contributions from this level. Also, anyone earning less than the Lower Earnings Limit (LEL) (£6,136 for the 2019/20 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) or National Living Wage (NLW), there may be staff whose pay could fall below the NMW or NLW by participating in Pensions+. These staff will not be able to reduce their actual

earnings below the NMW or NLW as it is illegal to do so. Therefore if your earnings fall below the NMW or NLW, 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 some of their state benefits affected. This is covered in more detail in the FAQ's on page 8. 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 plan 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 1st 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 and you may be charged for this service. Details of an independent financial adviser (IFA) near you can be found by 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 benefits I will get from the plan?

No. Your plan benefits will not be affected and continue to be a valuable benefit to you.

How much will I save?

It varies depending on your salary and the level of pension contributions you pay. 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 £50,004 (2019/2020 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 the DC Pension Plan.

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.

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, or you want to obtain a list of lifestyle events, please contact the Pensions+ Helpline on ext 38823.

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 1st 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 1st 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 will 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 £6,136 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. On your return to work, as long as your salary is above the lower pay limit, you will automatically be put back into Pensions+.

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 (NMW) or National Living Wage (NLW) 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.

In the event that you do not have sufficient salary to cover all sacrifice arrangements the priority order for deductions will be as follows; ordinary pension contributions, childcare vouchers.

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 or NLW, pay NI contributions and are a member of the DC Plan, 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 £10,000 limit.

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.

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 DC Pension Plan, Pensions+ will not change anything.

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). 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.

Please check the repayment thresholds with the student loan company, as these will vary depending on the date your course commenced.

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 **0345 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 **0800 731 0469**.

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