

University of Strathclyde **Pensions Plus**

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Introduction to Pensions Plus

The University of Strathclyde is introducing Pensions Plus to employees who are members of the Universities Superannuation Scheme (USS). Pensions Plus will enable members to benefit from savings in National Insurance Contributions (NIC) by changing the way that pension contributions are paid. Pensions Plus is not a new pension scheme, it is simply a more effective way of making payments into your current pension.

Members of the USS Pension Scheme (Final Salary and Career Revalued Benefits Sections) will be able to participate in Pensions Plus. Your participation in Pensions Plus will be automatic unless it is identified that your involvement would have an adverse effect on your take-home pay or your entitlement to state benefits. You will be informed if this applies to you. Participation is not, however, compulsory and you may opt out should you wish to do so.

How does it work?

Under Pensions Plus you no longer pay regular pension contributions directly to the USS. Your contractual gross pay is reduced by the appropriate contribution rate due under USS rules and the University will instead make the equivalent payment into the USS Pension Scheme, in addition to the normal employer contribution. As a result of the way contributions are made to the scheme, your take-home pay will (in the majority of cases) increase because you will be paying less NIC. This is because the salary from which the employee pension contributions were previously paid is subject to NIC, but contributions made by the University into your pension are not.

Note that under the terms of the USS, Pensions Plus applies to regular pension contributions only but does not apply to Additional Voluntary Contributions (AVCs) paid to the USS or to Prudential.

Change to terms and conditions

By participating in Pensions Plus you are agreeing to a change in your terms and conditions of employment and the implications of this are summarised below and explained in detail within this booklet. It is important that you understand the changes to your contractual pay and payment of pension contributions, as you will automatically be included in Pensions Plus, unless you choose to opt out (see below for information on how to do so). All other terms and conditions of employment remain unaffected.

- Your Pension entitlements are not adversely affected by this change.
- The overall level of contributions going into the Scheme, and all benefits payable under the USS Pension Scheme, will remain unchanged as a result of participation in Pensions Plus.
- There will be no reduction in your Pensionable Pay as a result of taking part in Pensions Plus as this is based on your 'Reference Salary', which is your total pensionable salary before any adjustment for Pensions Plus.
- Pensions Plus will not affect any other salary-related payments or benefits that you receive from the University such as salary increases and overtime, as these will all also be based on your Reference Salary.
- Your Reference Salary will be the amount stated in any personal official letters, for example, mortgage letters, loan applications or job references.
- Pensions Plus does not affect your income tax position, as employee pension contributions already attract tax relief.
- In the majority of cases you will pay less NIC, increasing your take-home pay.

This Employee Guide covers the benefits to you, how the scheme works and aims to answer any questions you may have.

Please note that all amounts shown in this booklet are calculated in respect of the 2015/16 tax year and are subject to future changes in line with legislation, which is typically reviewed on an annual basis with any changes normally coming into effect from 6 April each year.

Frequently Asked Questions

We have set out on the following pages answers to some questions that you may have in relation to the introduction of Pensions Plus and how the arrangement will affect you.

1. Why is the University introducing Pensions Plus?

The USS rules allow additional pension contributions to be made by the employer under a Pensions Plus scheme which provides an opportunity to save National Insurance Contributions (NIC). Employee pension contributions will be reduced to nil and as a result, the employee's take-home pay will, in most cases, increase. The amount of NIC saved depends on the employee's earnings level and National Insurance category. The tables below and opposite provide an indication of the annual NIC savings available to the employee.

USS Final Salary Section (75% employee contribution)		
Annual Salary (£)	Salary Exchange (£)	Annual Employee NIC saving (£)*
10,000	750	80
20,000	1,500	159
30,000	2,250	239
40,000	3,000	318
50,000	3,750	75
60,000	4,500	90

USS Career Revalued Benefits Section (6.5% employee contribution)		
Annual Salary (£)	Salary Exchange (£)	Annual Employee NIC saving (£)*
10,000	650	69
20,000	1,300	138
30,000	1,950	207
40,000	2,600	276
50,000	3,250	65
60,000	3,900	78

* These savings are based on tax and NIC rates for 2015/16. A detailed explanation of the calculation has been provided in answer to question 3 'How will my salary be affected if I participate in Pensions Plus?'

As you will see from these tables, NIC savings are proportionately lower for higher earners. This is because the rate at which NIC is paid (and therefore saved under Pensions Plus) reduces to 2% for earnings over the NIC upper earnings limit (£42,380 per annum for 2015/16).

By implementing Pensions Plus, the University will also benefit from paying less employers' NIC. The savings incurred through the implementation of Pensions Plus will be used to fund a number of strategic staffing initiatives to support the University in meeting its ambitions.

2. How does Pensions Plus work?

Step 1: For all pay received, you will stop making standard pension contributions from your Contractual Salary to the USS.

Step 2: Instead, the University will make contributions to the USS equal to the contributions previously made by you, along with its employer contribution.

Step 3: Your Contractual Salary will reduce by the amount that you previously paid into the USS. Your unreduced salary will be known as your 'Reference Salary'.

Step 4: In most cases, your take-home pay will increase because you are paying less NICs. This is because the salary from which you previously paid pension contributions was subject to NIC, whereas employer contributions paid by the University are not.

Step 5: The level of benefits from your USS pension 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.

Step 6: Your full Pensionable Salary will remain unchanged and the University will quote your Reference Salary for all external purposes, for example when quoting your salary for mortgage applications.

Please note that Additional Voluntary Contributions (AVCs) cannot be included in Pensions Plus.

3. How will my salary be affected if I participate in Pensions Plus?

For all pay received, Pensions Plus will operate on the basis that all normal pension contributions are paid by the University. Therefore you will no longer pay employee pension contributions directly from your salary. Instead, your salary will be reduced by the appropriate amount of pension contributions for the USS. The University will make an equivalent additional employer contribution to the USS.

We will use the term Reference Salary to mean your contractual salary before taking account of any Pensions Plus adjustment and the term 'Adjusted Salary' to refer to your contractual salary after the Pensions Plus adjustment.

The following tables illustrate savings achievable to employees participating in the Pensions Plus arrangement. The 'standard tax code' of 1000L has been used in the examples to illustrate that the same amount of tax is paid before and after Pensions Plus.

USS Final Salary Section: Example 1

The example below highlights the approximate before and after position of an employee earning £40,000 per year, with a contribution of £3,000 (7.5% of Pensionable Salary) per year into the USS. Under the Pensions Plus arrangement, the employee's Reference Salary remains at £40,000, although the Adjusted Salary becomes £37,000.

Pre Pensions Plus		Post Pensions Plus	
Basic salary (£)	£40,000	Reference Salary	£40,000
Less Pensions Contributions	(£3,000)	Less Pensions Plus Adjustment	(£3,000)
		Adjusted Salary	£37,000
Less Income Tax	(£5,280)	Less Income Tax	(£5,280)
Less NIC	(£3,386)	Less NIC	(£3,068)
Net Take Home Pay	£28,334	Net Take Home Pay	£28,652

The employee's net take-home pay has increased by £318 per year and the total contributions to the USS have remained the same.

In this example, the employee currently pays a £3,000 Pension Employee Contribution. Under Pensions Plus the employee no longer makes an Employee Contribution; however, the University pays an additional £3,000 contribution into the Scheme to ensure that the same level of overall contributions is maintained.

USS Final Salary Section: Example 2

The example below highlights the approximate before and after position of an employee earning £20,000 per year, with a contribution of £1,500 (7.5% of Pensionable Salary) per year into the USS. Under the Pensions Plus arrangement, the employee's Reference Salary remains at £20,000, although the Adjusted Salary becomes £18,500.

Pre Pensions Plus		Post Pensions Plus	
Basic salary (£)	£20,000	Reference Salary	£20,000
Less Pensions Contributions	(£1,500)	Less Pensions Plus Adjustment	(£1,500)
		Adjusted Salary	£18,500
Less Income Tax	(£1,580)	Less Income Tax	(£1,580)
Less NIC	(£1,266)	Less NIC	(£1,107)
Net Take Home Pay	£15,654	Net Take Home Pay	£15,813

The employee's net take-home pay has increased by £159 per year and the total contributions to the USS have remained the same.

In this example, the employee currently pays a £1,500 Pension Employee Contribution. Under Pensions Plus the employee no longer makes an Employee Contribution however the University pays an additional £1,500 contribution into the Scheme to ensure that the same level of overall contributions is maintained.

USS Career Revalued Benefits Section: Example 1

The example below highlights the approximate before and after position of an employee earning £40,000 per year, with a contribution of £2,600 (6.5% of Pensionable Salary) per year into the USS. Under the Pensions Plus arrangement, the employee's Reference Salary remains at £40,000, although the Adjusted Salary becomes £37,400.

Pre Pensions Plus		Post Pensions Plus	
Basic salary (£)	£40,000	Reference Salary	£40,000
Less Pensions Contributions	(£2,600)	Less Pensions Plus Adjustment	(£2,600)
		Adjusted Salary	£37,400
Less Income Tax	(£5,360)	Less Income Tax	(£5,360)
Less NIC	(£3,386)	Less NIC	(£3,110)
Net Take Home Pay	£28,654	Net Take Home Pay	£28,930

The employee's net take-home pay has increased by £276 per year and the total contributions to the USS have remained the same.

In this example, the employee currently pays a £2,600 Pension Employee Contribution. Under Pensions Plus the employee no longer makes an Employee Contribution however the University pays an additional £2,600 contribution into the Scheme to ensure that the same level of overall contributions is maintained.

USS Career Revalued Benefits Section: Example 2

The example below highlights the approximate before and after position of an employee earning £20,000 per year and a contribution of £1,300 (6.5% of Pensionable Salary) per year into the USS. Under the Pensions Plus arrangement, the employee’s Reference Salary remains at £20,000, although the Adjusted Salary becomes £18,700.

Pre Pensions Plus		Post Pensions Plus	
Basic salary (£)	£20,000	Reference Salary	£20,000
Less Pensions Contributions	(£1,300)	Less Pensions Plus Adjustment	(£1,300)
		Adjusted Salary	£18,700
Less Income Tax	(£1,620)	Less Income Tax	(£1,620)
Less NIC	(£1,266)	Less NIC	(£1,128)
Net Take Home Pay	£15,814	Net Take Home Pay	£15,952

The employee’s net take-home pay has increased by £138 per year and the total contributions to the USS have remained the same.

In this example, the employee currently pays a £1,300 Pension Employee Contribution. Under Pensions Plus the employee no longer makes an Employee Contribution however the University pays an additional £1,300 contribution into the Scheme to ensure that the same level of overall contributions is maintained.

4. What do I need to do in order to benefit from Pensions Plus?

In order for you to participate in Pensions Plus, the University will need to make amendments to your current terms and conditions of employment. It is important that you understand the changes to your contractual pay and payment of pension contributions, as you will automatically be included in the Pensions Plus arrangement, unless you choose to opt out. The implications of participating in Pensions Plus are outlined in this booklet. All other terms and conditions of employment remain unaffected.

If you are unlikely to benefit from participation you will be contacted separately, see questions 7 and 13 for more details.

4.1 Existing Scheme Members

If you are already a member of the USS and are happy to participate in the Pensions Plus arrangement you do not need to do anything: we will automatically include you. If you do not wish to participate in the Pensions Plus arrangement but wish to remain in the pension scheme, you will need to complete the non-participation form to opt out of Pensions Plus. You can obtain this form from the Pensions team (pensions@strath.ac.uk) within Finance. You must complete and return this form to the Pensions team should you not wish to participate.

4.2 New Members of the USS

If you have been contractually enrolled or auto-enrolled into the USS and wish to participate in the Pensions Plus arrangement, you do not need to do anything: we will automatically include you. If you wish to remain a Pension scheme member but do not wish to participate in Pensions Plus, you will need to complete the non-participation form.

If, however, you wish to opt out of the USS Pension Scheme altogether within the first three months of scheme membership, you will only need to complete the USS – Opt out of Pension Saving Form. Your participation in the Pensions Plus arrangement will automatically cease at the same time that your membership of the USS ceases.

5. Are other organisations doing this?

Many other organisations, including a number of universities, have already introduced arrangements similar to Pensions Plus. The approach is therefore tried and tested.

6. Will my Pensionable Salary remain the same?

Your Pensionable Salary will continue to be calculated as at present, ie based on your higher Reference Salary prior to the Pensions Plus adjustment.

7. Who is able to participate in Pensions Plus?

If you are currently a member of the USS, you will be able to participate in the Pensions Plus arrangement provided the new arrangements do not adversely affect your take-home pay or your ability to claim certain state benefits. You will not, however, be able to participate in Pensions Plus if it would bring your Adjusted Salary to below the National Minimum Wage (NMW). The NMW is currently £6.50 per hour for employees over the age of 21 and lower for those under 21 or apprentices. 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 Pensions team (pensions@strath.ac.uk).

Pensions Plus is not applicable to individuals with no set hours of work.

8. If I participate in Pensions Plus will it affect any other payments?

All future pay rises will continue to be based on your higher Reference Salary. All of your salary-related pay and benefits from the University of Strathclyde, such as overtime, will also be calculated on your higher Reference Salary. There may be an impact on statutory payments such as Statutory Maternity Pay. Please see the Pensions Plus website for further information (www.strath.ac.uk/finance/financialservices/pensions/uss).

9. Will participation in Pensions Plus affect my overtime?

Any overtime you may receive will not be affected by your participation in the Pensions Plus arrangement. The hourly rate for overtime will be calculated on your higher Reference Salary and will therefore remain the same hourly rate as before.


10. Will I still get the same pension at retirement?

Yes. Your pension at retirement is based on your service in the USS, the benefit section you are a member of and your Pensionable Salary. Your Pensionable Salary will be based on your higher Reference Salary: therefore, your pension benefits will remain unchanged.


11. How will Pensions Plus be shown on my payslip?

Your payslip will look slightly different. There will be an entry on the payslip to show that you are participating in Pensions Plus.

Current Payslip

Dept		Staff No	Name	Date	
025			MR A TEST		
Employer's PAYE ref		NI No		Tax Code	
961/8901816		NW123456A		1000L	
ADJUSTMENTS		DETAILS		HOURS	AMOUNT
-243.00	Child Care (T)	Basic Salary			3307.08
		T: Taxable Adj			-243.00
		Nat. Ins.			-251.96
		Income Tax			-396.40
		Pension			-248.03
Enquiries to ext. 4758/2274				Amount Paid	2167.69
TAX YEAR TOTALS TO DATE					
Gross Pay	Taxable Pay	Tax	Nat Ins	Pension	AVCs
16276.08	13840.37	1933.80	1232.32	1220.71	0.00

Payslip With Pensions Plus

Dept	Staff No	Name	Date		
025		MR A TEST			
Employer's PAYE ref		NI No	Tax Code		
961/8901816		NW123456A	1000L		
ADJUSTMENTS		DETAILS		HOURS	AMOUNT
-243.00	Child Care (T)	Basic Salary			3307.08
		T: Taxable Adj			-243.00
		Nat. Ins.			-225.67
		Income Tax			-396.40
		Pensions Plus			-248.03
Enquiries to ext. 4758/2274				Amount Paid	2193.98
TAX YEAR TOTALS TO DATE					
Gross Pay	Taxable Pay	Tax	Nat Ins	Pension	AVCs
16276.08	13840.37	1933.80	1206.03	972.68	0.00

12. Will Pensions Plus affect the amount of tax relief I receive?

No, the amount of tax relief received will not be affected by Pensions Plus. You will pay exactly the same amount of tax under Pensions Plus as you did before. See the examples contained in question 3.

13. 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:

- Your earnings are close to the National Minimum Wage. See question 7.
- If you earn less than £8,060 (2015/16) you will not benefit from any savings from the scheme as you do not currently pay NIC (NIC is payable at 0%). Participation in the Pensions Plus arrangement could also affect your state benefits. For these reasons, a University of Strathclyde pay protection level of £8,100 per year has been put in place. It would not be advisable for any employee whose earnings are at or below this level to participate. The pay protection level will be reviewed annually and adjusted where required.
- If you plan to leave the USS within two years of joining the scheme and get a refund of contributions. See question 16.

If the University thinks either of the first two categories applies to you, we will contact you separately. However, if you do not hear from us and believe that you may fall into one of the above categories, please contact the Pensions team.

14. I am over the State Pension Age and therefore do not pay NIC. Can I still participate in Pensions Plus?

If you are over the State Pension Age you will not pay NIC on your earnings and as a result you will not benefit from any NIC savings through participating in the Pensions Plus arrangement.

By participating, however, you will help generate employer NIC savings for the University to reinvest in strategic staffing initiatives. Therefore, on the basis that you will not be disadvantaged by participating in the Pensions Plus arrangement, you will automatically be included in Pensions Plus unless you choose not to participate.

15. How will participation in Pensions Plus be shown on my personal payroll and tax documents?

You will see an entry on your monthly payslip for 'Pensions Plus'. An example is provided under Question 11.

Your P60 will reflect your taxable salary, which is your gross pay minus the Pensions Plus Adjustment. Currently it shows gross pay minus normal pension contributions. Your taxable salary will not be affected by participating in Pensions Plus.

You must bear this in mind when using your P60 for a financial reference. Financial institutions usually recognise arrangements such as Pensions Plus and understand how this affects salary reporting. The University will be happy to provide you with a mortgage reference letter to accompany any such request and will advise lenders of the amount of your Reference Salary.

16. What happens to my pension if I leave USS or the University of Strathclyde?

If you leave the University and/or USS with two or more years' qualifying service, there will be no change to the benefit options of either a deferred pension or a transfer value to another registered pension arrangement.

If you leave with less than two years' qualifying service you have similar options (a deferred pension or a transfer value) as above. Pension scheme rules normally permit a refund of member contributions as an additional option where the member leaves with less than two years qualifying service, but this will not be possible under the Pensions Plus arrangement, as the amounts paid to the pension schemes are not member contributions.

If you withdraw from the USS within three months of being contractually or automatically enrolled into pension scheme membership, membership of Pensions Plus will terminate immediately and your contractual salary will revert to its pre-Pensions Plus value. If you wish, the University can also make arrangements to retrospectively recalculate your salary and amend your records to reflect your wish to withdraw fully from the scheme from the date of enrolment.

17. What if I do not want to participate in Pensions Plus?

Participation in Pensions Plus is not compulsory and you can request a non-participation form from the Pensions team which should be completed and returned by the date stated on the form should you choose not to participate.

If you choose to opt out of Pensions Plus, you will not be able to take advantage of the NIC savings that would result in increased take-home pay achievable for the majority of those participating in Pensions Plus.

18. What if I change my mind or my circumstances change?

If you decide not to participate in Pensions Plus you will need to opt out by the date stated on the form.

The University recognises that certain 'lifestyle events' may affect your decision to participate. These include:

- Birth/adoption of a child
- Notification, commencement of, or return from, maternity/adoption leave
- Marriage/civil partnership
- Divorce/separation/dissolution of civil partnership
- Death of spouse/partner
- Significant changes in contractual terms eg move from full-time to part-time, move from fixed-term to open-ended contract
- Material changes in spouse's/partner's circumstances (eg redundancy)
- Commencement of, or return from, long-term leave or secondment

In these circumstances you may, subject to the agreement of the University of Strathclyde, opt out of or opt into Pensions Plus.

19. How long will the new arrangements last?

It is planned that Pensions Plus will operate indefinitely. However, the University reserves the right to withdraw Pensions Plus if, for example, tax, NIC or pensions law or practice changes, or it is no longer viable for the University to operate Pensions Plus.

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

20. What happens if the scheme contribution rates change in the future?

If future contribution rates for the schemes are amended, the amount that your current salary is reduced by will be amended to reflect the change in contribution rates.

21. Who can I ask if I have any additional questions?

More information on Pensions Plus is available on the University's Pensions web pages, including Frequently Asked Questions covering circumstances such as family-friendly and unpaid leave and potential impact on benefits.

Please visit www.strath.ac.uk/finance/financialservices/pensions/uss

If you have any additional questions regarding Pensions Plus, please contact the Pensions team:

e: pensions@strath.ac.uk

t: 0141 548 4771

DISCLAIMER

The information in this guide does not constitute financial advice. If you have any queries of a specific financial nature, please contact an Independent Financial Advisor (IFA). The IFA customer helpline is 0800 085 3250.

the place of useful learning

www.strath.ac.uk

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