



UNIVERSITY OF
BIRMINGHAM

SALARY SACRIFICE

(USS Pension Scheme)

PLEASE NOTE:

You automatically participate in the **Salary Sacrifice** offered by this University from your commencement date.

Should you remain in Salary Sacrifice, you **will not** be entitled to a **Refund of Contributions** if you leave this University or **Opt-out** within the first **two years** of employment, as these have been paid on your behalf by your employer. (Please refer to page eight of the USS Guide for members – Salary Sacrifice)

If you are on a short term contract of less than 2 years, you may wish to consider 'Opting-out' of Salary Sacrifice in order to qualify for a refund of contributions should you leave within 2 years. **An Opt-out form is attached in the accompanying pack.**

Should you have any queries concerning Salary Sacrifice, please contact the Pensions Office.

Pension Contacts:

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SALARY SACRIFICE SCHEME

(USS Pension)

Please find a list of documents contained in this pack to explain the USS Pension Salary Sacrifice scheme:

- i. Note from the Pensions office explaining the salary sacrifice
- ii. Changes to USS
- iii. FAQ's – USS Salary sacrifice
- iv. Salary sacrifice saving estimates 2014/2015
- v. Salary sacrifice Career average saving estimates 2014/2015
- vi. Opt out form

You automatically participate in the **Salary Sacrifice** offered by the University of Birmingham from the start of your employment.

Please note that should you remain in Salary Sacrifice, you **will not** be entitled to a **Refund of Contributions** if you leave this University or **Opt-out** within the first **two years** of employment, as these have been paid on your behalf by your employer. (Please refer to page eight of the USS Guide for members – Salary Sacrifice)

If you are on a short term contract of less than 2 years, you may wish to consider 'Opting-out' of Salary Sacrifice in order to qualify for a refund of contributions should you leave within 2 years. **An Opt-out form is attached in the accompanying pack.**

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Dear Colleague

Salary sacrifice for USS pension contributions

As a new employee of the University of Birmingham, as per your terms and conditions of employment you will be automatically entered into the USS Pension Scheme. You will also be automatically entered into the Salary Sacrifice section of the scheme and as a result, both you and the University reduce the national insurance that you pay.

Salary sacrifice works as follows:

- You agree to a reduction in your pay equivalent to the level of your contribution to USS.
- To offset the reduction in your pay you then cease to contribute directly to the USS scheme. You will pay lower National Insurance contributions and your net pay will increase. The level of increase will depend on your salary and the marginal rate of saving in National Insurance that is applicable to your pay.
- The University then increases its contribution to USS by an amount equal to the contributions you would have paid, so the total contribution to USS and your pension entitlement remains the same.
- Your original salary, before the reduction was made, will be used for the calculation of all your pension benefits provided by USS and for pay awards, increments and promotions.

Please note that although the University operates an opt-in scheme, you do have the option to opt out if you wish to.

Members in the salary sacrifice scheme have the same pension entitlement as a non member of the salary sacrifice scheme. Final Pensionable Earnings will still be based on the salary before salary sacrifice. The rate at which you build up pension will not change as a result of salary sacrifice and all staff in the salary sacrifice scheme will have the option annually to opt out of it if they so wish.

It is important to note, that if you are a new contributing member of USS, on a short term contract for less than two years, you need to be aware of a potential drawback of the salary sacrifice scheme. The current pension regulations enable staff with less than two years' service, and who have been members of USS for less than two years, to have a refund of contributions upon leaving the University's employment. USS have determined that staff who are members of a salary sacrifice scheme cannot have such a refund as they have technically not made any contributions, the University having paid the contributions on their behalf. In these circumstances staffs would be treated as a deferred member and would have the option to either transfer their USS fund to another pension scheme or claim the value of their fund from USS when they retire. If you are therefore on a short term contract of less than two years you should therefore consider this point carefully before making a decision.

If you wish to opt out of salary sacrifice and you do so within 3 months of joining, you will be treated as never joining the salary sacrifice section of the scheme. Should you opt out of salary sacrifice after 3 months of joining, then your opt-out will take effect from the following month of receipt.

You do have a choice of re-joining the salary sacrifice scheme, however you are only able to join at the beginning of each tax year, and before the April payroll has been processed.

For those members whose pay, after the deduction of the salary sacrifice, is below the threshold at which National Insurance becomes payable, currently £5,772 a year, there would be no benefit in participating in

the salary sacrifice scheme, as there would be no saving. Staff in this situation should not participate in the salary sacrifice scheme

Further information on salary sacrifice can be obtained from the USS website www.uss.co.uk Information can also be found on the University of Birmingham Pensions' intranet <https://intranet.birmingham.ac.uk/finance/pensions/USS.aspx> where the relevant forms can be obtained to either Opt-out or Opt-in into the salary sacrifice scheme. Alternatively you can obtain these forms from the pensions office and contract details are:

Karen Roebuck - 0121 414 6489: e-mail; K.Roebuck@bham.ac.uk

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Pension's Office - Room LG 13, Aston Webb B Block, University of Birmingham, Edgbaston, Birmingham, B15 2TT.

Yours faithfully

Karen Roebuck

Pensions Manager

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Changes arising following the introduction of salary sacrifice in the USS Pension Scheme (USS)

The University of Birmingham operated the USS Salary Sacrifice arrangement on an opt-in basis when it was introduced in April 2008. In July 2010, the basis was changed to an opt-out basis, and all new employees joining the USS pension scheme after this date was automatically entered into its salary sacrifice scheme.

The following information was issued to all members in July 2010 and gives additional background to the changes that had taken place. However where appropriate, details have been amended to reflect the current tax year thresholds.

What changes are due to take place?

From 1 April 2008:

- The University is amending the basis of its membership of the USS scheme to allow for the introduction of salary sacrifice. Members of USS employed by the University of Birmingham will be able to opt in to a salary sacrifice scheme equivalent to the value of their pension contributions. Staff can maintain the current basis of their USS membership and if they do not wish to join the salary sacrifice scheme: such staff are asked to tick Option B and return the form to the Payroll Office by the end of February.
- For those who opt into the salary sacrifice scheme, Final Pensionable Earnings will still be based on the salary before salary sacrifice. Members choosing salary sacrifice will still have the same pension entitlement as they enjoyed before joining the salary sacrifice scheme.
- If you join the salary sacrifice scheme the rate at which you build up pension from 1 April 2008 will not change. All staff joining the salary sacrifice scheme will be given the option annually to opt out of it if they so wish. Staff who do not join the scheme in the first year will be given the opportunity to do so before the April payroll is run in each successive year.
- Staff joining the scheme will pay less National Insurance as a result of the introduction of salary sacrifice. The saving will be at the individual's marginal rate of National Insurance.

Why is the scheme being introduced?

The option of operating salary sacrifice for pension contributions has been allowed by Her Majesty's Revenue and Customs for many years. Indeed the concept of salary sacrifice was first introduced to cater for pension contributions to be made by the employer on the employees' behalf with the consequent reduction in national insurance contributions. It was seen as a way of encouraging employers to offer pension schemes for their employees but to do it does require that the rules of the pension scheme allow for its introduction. The USS scheme has now amended its rules to allow for the operation of salary sacrifice following pressure from a number of Universities including Birmingham.

Have the Trades Unions been involved in discussions about salary sacrifice?

Yes, the Trades Unions have been kept fully informed by the University and have agreed to the introduction of the scheme on an opt-in basis.

How does "salary sacrifice" work?

- You agree to a reduction in your pay equivalent to the level of your contribution to USS.
- To offset the reduction in your pay you then cease to contribute directly to the USS scheme.

You will pay lower National Insurance contributions and your net pay will increase. The level of increase will depend on your salary and the marginal rate of saving in National Insurance that is applicable to your pay.

- The University then increases its contribution to USS by an amount equal to the contributions you would have paid, so the total contribution to USS and your pension entitlement remains the same.
- Your original salary, before the reduction was made, will be used for the calculation of all your pension benefits provided by USS and for pay awards, increments and promotions.

Why is “*salary sacrifice*” being offered now?

The University has already introduced salary sacrifice for the BPAS support staff pension scheme. USS have only introduced salary sacrifice for the USS scheme with effect from 1st April 2007 and April 2008 was seen as being the first practical date that it could be introduced by the University.

Will the amount of tax I pay reduce if I opt for “*salary sacrifice*”?

No. Currently you are only taxed on your pay after pension contributions have been deducted. In future, if you choose “*salary sacrifice*”, tax will be calculated on the level of pay remaining after the deduction of the “*salary sacrifice*” amount that is equal to your pension contributions. This will mean that your taxable pay remains the same and you will pay the same amount of tax.

Is “*salary sacrifice*” right for me?

“*Salary sacrifice*” will benefit all staff whose pay is above the lower earnings threshold after “*salary sacrifice*” has been deducted. In the 2014 tax year you should not join the scheme if your pay is below £6241 a year (£120 per week). This is because when you deduct the pension contribution (7.5% Final Salary and 6.5% Career Revalued from pay of £120 per week (£6241 per year) the result is below the National Insurance lower earnings threshold of £5772 a year (£111.00 per week) at which National Insurance becomes payable and at which people are paying in to the state pension scheme.

For those members who earn below the threshold at which National Insurance becomes payable after the deduction of the “*salary sacrifice*”, currently £5,772 a year, there would be no benefit in contributing on the “*salary sacrifice*” basis, as there would be no saving. You should continue to contribute to USS in the same way as you do at the moment.

If I choose “*salary sacrifice*” can I change my mind later?

Yes, but you can only do so once a year from the 1st April each year. This is because of HM Revenue & Customs requirements.

What do I have to do now?

To take advantage of the salary sacrifice scheme and achieve a saving in your national insurance contributions all that is required is that you complete the nomination form enclosed, remembering to sign and date it, and then return the form to the Payroll Section of the Finance Office at the address shown on the form.

Where can I go for further information?

For more detailed examples of the effects of the changes and updated Questions and Answers visit the website at

On the website you will find further examples that may be closer to your own circumstances than the general examples given here. Members will also be able to phone a member of the payroll team to ask more detailed questions about the changes. **Remember the payroll team can only answer factual questions about the changes, they cannot provide members with financial advice.**

The Payroll Team can be contacted in any of the following ways
 By personal visit to
 The Payroll and Pensions Enquiry Office, LG13, Aston Webb B Block
 By telephone on 414 3088
 By e-mail to pensionqueries@bham.ac.uk

Examples of the impact of salary sacrifice on national insurance and pay.

Before Salary Sacrifice		After Salary Sacrifice`		Difference
Salary	30000	Salary	30000	0
Pension Contribution	2250	Pension Contribution	0	-2250
Salary Sacrifice	0	Salary Sacrifice	2250	+2250
Allowances	1000	Allowances	10000	0
Tax	3550	Tax	3550	0
National Insurance	2327	National Insurance	2089	-238
Net Pay	21873	Net Pay	22111	+238

Before Salary Sacrifice		After Salary Sacrifice`		Difference
Salary	35000	Salary	35000	0
Pension Contribution	2625	Pension Contribution	0	-2625
Salary Sacrifice	0	Salary Sacrifice	2625	+2625
Allowances	10000	Allowances	10000	0
Tax	4475	Tax	4475	0
National Insurance	2857	National Insurance	2579	-278
Net Pay	25043	Net Pay	25321	+278

Before Salary Sacrifice		After Salary Sacrifice`		Difference
Salary	40000	Salary	40000	0
Pension Contribution	3000	Pension Contribution	0	-3000
Salary Sacrifice	0	Salary Sacrifice	3000	+3000
Allowances	10000	Allowances	10000	0
Tax	5400	Tax	5400	0
National Insurance	3387	National Insurance	3069	-318
Net Pay	28213	Net Pay	28531	+318

Before Salary Sacrifice		After Salary Sacrifice`		Difference
Salary	45000	Salary	45000	0
Pension Contribution	3375	Pension Contribution	0	-3375
Salary Sacrifice	0	Salary Sacrifice	3375	+3375
Allowances	10000	Allowances	10000	0
Tax	6325	Tax	6325	0
National Insurance	3673	National Insurance	3582	-91
Net Pay	31627	Net Pay	31718	+91

USS SALARY SACRIFICE
FREQUENTLY ASKED QUESTIONS (FAQs)

Q1. Who is eligible to participate?

All full time and part time employees who are members of USS and who are subject to UK National Insurance and Income Tax and who are in University employment on or after the 1st April 2008 are eligible to participate.

Q2. What is the value of my “salary sacrifice”?

Your salary sacrifice is equal to the value of your normal pension contributions to USS. Your normal contribution is either 6.5% (for Career Benefit Members) or 7.5% (for Final Salary Members) of your pay and therefore your salary sacrifice will be either 6.5% or 7.5% of your pay.

Q3. How much will I save?

You will pay less national insurance as a result of salary sacrifice provided your pay after salary sacrifice is above the lower earnings threshold for National Insurance. The threshold is £5772 in the 2014/15 tax year.

The amount you save is linked to the level of your gross pay after salary sacrifice. If your pay after salary sacrifice is between £5772 (the lower earnings threshold for National Insurance in 2014/15) and £40040 (the upper accrual point for National Insurance in 2014/15) you will save 10.6% of the value of your salary sacrifice.

If your pay is between £40040 and £41865 (the upper earnings limit) you will save between 10.6% and 12% of the value of your salary sacrifice. If your pay is above £41865 you will save 2% of the value of your salary sacrifice.

Examples of the levels of savings are shown in the attached Appendix.

Q4. How will the original salary and the salary after deduction of the salary sacrifice be referred to?

For the purposes of the legislation and Her Majesty’s Revenue and Customs your original salary before the deduction of the salary sacrifice value will be termed your notional salary and it is on this notional salary that the value of the salary sacrifice will be calculated. Your salary after salary sacrifice will be referred to as your actual salary as it is on this figure that your tax and national insurance contribution will be calculated. This is in accord with the view of the USS scheme which views the notional salary as being the value on which your pension will be based.

Q5. Will participating in the scheme affect my pension in any way?

There is no impact on the USS Pension entitlement of staff. There is also no impact on the state pension of staff provided that staffs continue to pay national insurance on a weekly or monthly basis.

Q6. Will participating in the scheme impact on my variable pay?

Any adjustment to pay linked to salary will be unaffected by salary sacrifice.

Q7. What will happen if I have a Pay Award, an Increment or a Promotion?

Any future pay awards, increments or promotions will be based on your notional annual salary before the deduction of the salary sacrifice value. Any pay awards, increments or promotions, will increase your notional salary before the salary sacrifice deduction is made. Should you leave the scheme, your actual salary, will revert to the level it was before the deduction was made taking account of any pay awards, increments or promotions that have occurred in the interim period.

Q8. Will participating in the scheme impact on other salary related payments?

Your reduced income may also have an impact on the following:

- **Statutory maternity pay**

Staff in receipt of Statutory Maternity Pay only will not be able to participate in the salary sacrifice scheme as the deduction of salary sacrifice from statutory payments is not permitted.

- **Statutory redundancy & termination payments**

Employees with sufficient service and who meet certain other conditions may be entitled to statutory payments on redundancy. Any such statutory payments will not be affected by participation in the Scheme.

- **Tax credit payments**

Tax credits are linked to taxable pay and the USS Salary Sacrifice Scheme will not affect taxable pay. Participating in the Scheme will not, therefore, impact on any tax credit payments.

- **Attachment of earnings orders**

Salary sacrifice will not impact on the operation of attachment of earnings orders.

Q9. What happens if I am off on maternity/paternity/adoption leave for part of any scheme year?

Provided that your pay is above the lower earnings limit after the deduction of the salary sacrifice there will be no impact on any of the above with the one exception of individuals who are in receipt of statutory maternity pay only. See above.

Q10. When will new starters be able to join the scheme?

New starters will be offered the opportunity to join the scheme upon taking up their contract with the University. They will not have to wait until the April commencement of the scheme year.

Q11. What will happen if I leave the scheme during the scheme year?

Staffs that leave the University will automatically leave the scheme upon the termination of their contract with the University.

Q12. What effect will this have on my payslip?

Your payslip will continue to show your current pay as your annual salary, i.e. before the deduction of salary sacrifice. The University will operate a system of "notional" salary (what your salary would be as if you were not in the scheme) and an "actual" salary (taking into account the pay reduction). Your payslip will continue to show the notional salary and the pay sacrifice, the monthly value of the salary sacrifice, will show up as a payroll deduction from your monthly gross pay.

Q13. What effect will participating in the scheme have if I need a mortgage reference?

You should quote your current annual salary on mortgage applications and, as explained above, your payslip will show this figure as your annual salary. If the University Payroll Office receives requests for mortgage references from lenders they will quote your current salary, i.e. before the reduction.

Q14. What effect will participating in the Scheme have on other salary related benefits?

Participating in the scheme should not impact on other salary related University benefits as they are linked to salary and not salary after the deduction of salary sacrifice.

Q15. Does salary sacrifice apply to AVC'S?

USS has indicated that they are considering allowing salary sacrifice to be applied to AVC's as well as normal pension contributions. Their rules have still to be amended to allow this and members will be informed if and when they are.

Q16. Other queries not covered

Any other queries should be addressed to:

The Payroll Office

LG13

Aston Webb B Block

By telephone on 414 3088

By e-mail to pensionqueries@bham.ac.uk

Q17. Where can I get an opt out form if I do not wish to participate in the scheme?

Opt out forms are available upon request from either the Payroll Office or the Pensions Office. Such forms can be requested by telephone or by personal visit to the address shown below. The forms can also be downloaded from the following web site

<http://www.finance.bham.ac.uk/pensions/uss.shtml>

**The Payroll and Pensions Office
Room LG 13
Aston Webb B Block**

Salary Sacrifice Savings Estimates 2014/15

Salary per annum £'s	Salary Sacrifice per annum £'s	Saving per annum employee £'s	Saving per annum employer £'s
10000	750	80	78
12000	900	95	94
14000	1050	111	109
16000	1200	127	125
18000	1350	143	140
20000	1500	159	156
22000	1650	175	172
24000	1800	191	187
26000	1950	207	203
28000	2100	223	218
30000	2250	239	234
32000	2400	254	250
34000	2550	270	265
36000	2700	286	281
38000	2850	302	296
40000	3000	318	312
42000	3150	334	328
44000	3300	182	433
46000	3450	69	476
48000	3600	72	497
50000	3750	75	518
52000	3900	78	538
54000	4050	81	559
56000	4200	84	580
58000	4350	87	600
60000	4500	90	621
65000	4875	98	673
70000	5250	105	725
75000	5625	113	776
80000	6000	120	828
85000	6375	128	880
90000	6750	135	932
95000	7125	143	983
100000	7500	150	1035
150000	11250	225	1553

Salary Sacrifice Savings Career Average Estimates 2014/15

Salary per annum £'s	Salary Sacrifice per annum £'s	Saving per annum employee £'s	Saving per annum employee £'s
10000	650	69	68
12000	780	83	81
14000	910	96	95
16000	1040	110	108
18000	1170	124	122
20000	1300	138	135
22000	1430	152	149
24000	1560	165	162
26000	1690	179	176
28000	1820	193	189
30000	1950	207	203
32000	2080	220	216
34000	2210	234	230
36000	2340	248	243
38000	2470	262	257
40000	2600	276	270
42000	2730	289	284
44000	2860	130	335
46000	2990	60	413
48000	3120	62	431
50000	3250	65	449
52000	3380	68	466
54000	3510	70	484
56000	3640	73	502
58000	3770	75	520
60000	3900	78	538
65000	4225	85	583
70000	4550	91	628
75000	4875	98	673
80000	5200	104	718
85000	5525	111	762
90000	5850	117	807
95000	6175	124	852
100000	6500	130	897
150000	9750	195	1346