

Salary Exchange for pensions Cyfnewid Cyflog

Aberystwyth University

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How do Salary Exchange for pension arrangements work?

Currently you pay 6.35% of your salary as a personal pension contribution
The University makes employer contributions of 16/22% of salary.

The Change

(Only applicable to USS and AUPAS members)

- You cease to make regular pension contributions
- Your contractual gross pay will be reduced by an amount equivalent to the pension contribution
- The University will make additional pension contributions equal to contributions that you would otherwise have made
- Pension regulations have been amended to allow for the salary exchange
- The arrangements have no impact on your pension benefits

The Benefit

- Reduction in University National Insurance Contributions (NIC)
- Increase in take home pay for employees of c.£160,000 p.a.
- No impact on pension benefits for members
- The estimated University savings are c.£270,000 p.a.

An employee earning £20,000 p.a. would save c.£120 per annum*

This figure is based on standard assumptions including:

- 6.35% pension contribution levels
- Employees have a tax code of 647L
- Employees are contracted out for NIC purposes

Who can participate?

USS and AUPAS members

- All members are automatically entered into the scheme unless you have been identified as “special case” but you are able to opt out if you wish
- Regular monthly contributions are included in the new arrangements
- Additional Voluntary Contributions (AVCs) are not included, (albeit this is currently under consideration by the USS)

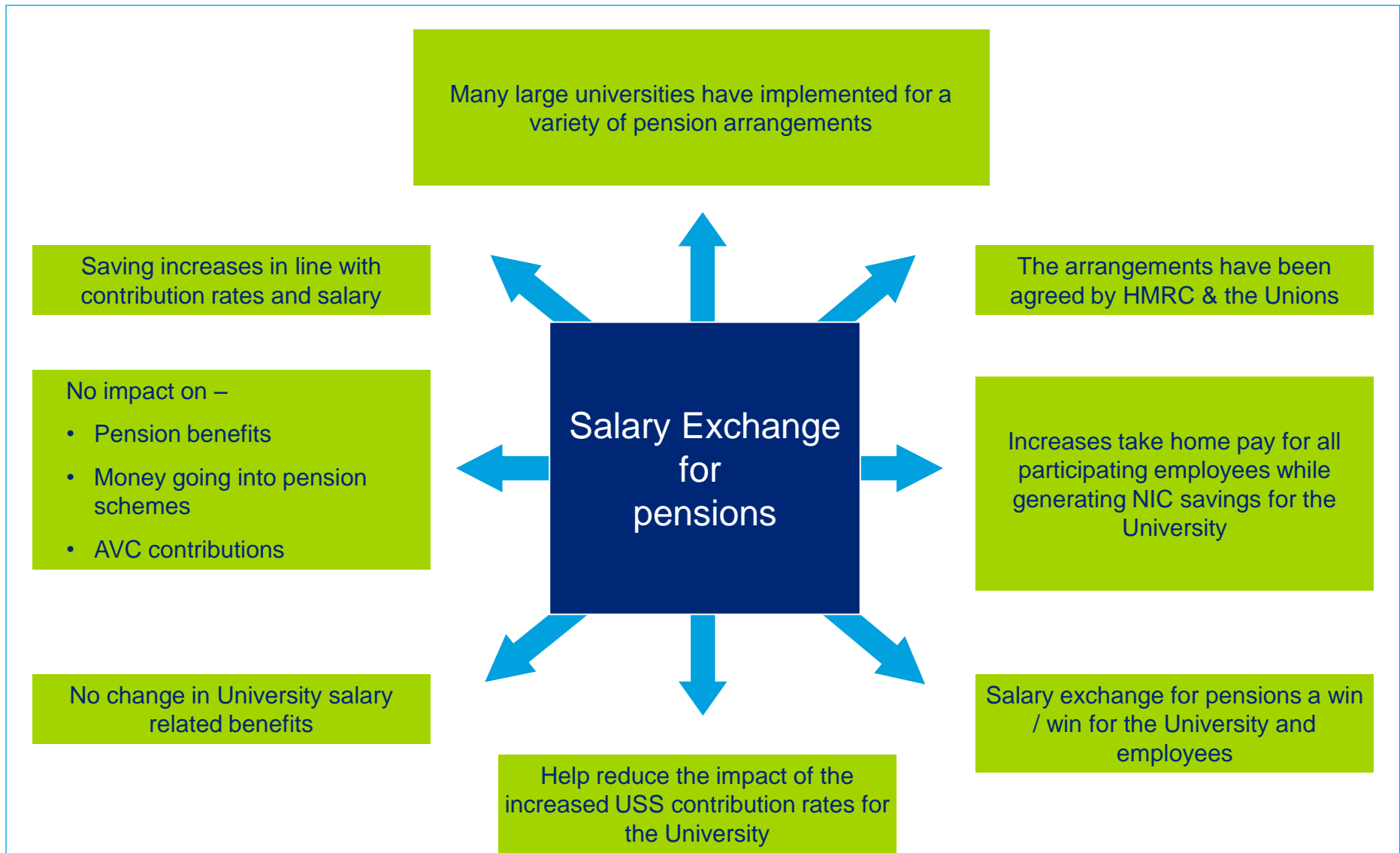
Special case individuals

- All individuals automatically entered into the scheme will be no worse off (assuming no change in their personal circumstances)
- Anyone who might be worse off under the arrangements will initially be excluded and will be communicated with separately
- It may not be possible for certain individuals to enter into the scheme as a result of National Minimum Wage, minimum length of service, etc – these individuals will also be communicated with separately

LGPS

- The scheme rules don't currently allow pension salary sacrifice. Should these rules change the University would consider the inclusion of this pension scheme in the arrangements

Some key messages



Common questions

- **Will I be entered into the arrangements?**
 - Only if you are a member of the USS or AUPAS (LGPS don't currently recognise these arrangements)
 - Everyone who is automatically entered into the scheme will be no worse off
 - If you might be worse off by being opted into the arrangements then you will be written to separately
- **Can everyone join?**
 - Even if you are a member of the USS or AUPAS you will not be able to join if your salary would fall below National Minimum Wage as a result of the arrangements
 - If you are at risk of losing state benefits it may not be in your best interests to join
- **Why is the University introducing the scheme?**
 - The new arrangements will reduce both the National Insurance Contributions paid by the University and its employees. It is expected that collectively staff will save over £100,000 per year
- **If I do join now can I change at a later date or if I don't join now can I join at a later date?**
 - You can either join or leave the scheme either annually (on 1 April) or if you undergo a "lifestyle change"

Common questions cont

- **Who has reviewed the scheme?**

- Both the Unions and HMRC have reviewed and approved the new arrangements. The University has worked with independent consultants who have experience of introducing the arrangements at other universities to ensure that the scheme delivers on savings and is acceptable to HMRC

- **Where can I go for further information?**

- It is important to read the Q&A booklets and other information that you have been sent out as these have a detailed explanation of the entire scheme (please also note there is an online pay calculator on the intranet that will help you calculate your personal savings). You should take specific care if in the foreseeable future –
 - You are planning to cease employment with the university
 - You are likely to have an extended absence (for any reason)
- For further information contact Tegid Edwards on
 - Tel: 01970 622 027
 - Email: tee@aber.ac.uk

Example payslip pre-Salary Exchange for pensions

Aberystwyth University: AUPAS								
PAYMENTS			HOURS	RATE	AMOUNT	DEDUCTIONS		AMOUNT
Basic pay					1,666.66	TAX		204.00
						NAT. INS		110.90
						Pension (Gross ded'n)		105.83
						TOTAL DEDUCTIONS		420.73
Gross Pay					TOTAL PAY	1,666.66	NET PAY	1,245.93

Total amount going into the scheme via the employee = £105.83 (per month)

- Based on a gross 6.35% pension contribution
- Based on an Annual Salary of £20,000
- Tax code 647L
- National Insurance based on rates applicable at 6 April 2009

Example payslip Salary Exchange for pensions

“Reference Salary” is a record of pay before the salary exchange for pension adjustment. This is kept for all pay related benefits (i.e. overtime payments)

Lower employee NIC

Employee does not pay any pension contributions to the pension scheme. The University makes the payment on the employees’ behalf.

Aberystwyth University: AUPAS

PAYMENTS				DEDUCTIONS	
	HOURS	RATE	AMOUNT		AMOUNT
Reference salary			1,666.66	TAX	204.00
Salary Exchange USS / AU			- 105.83	NAT. INS	100.95
Gross Pay			TOTAL PAY	TOTAL DEDUCTIONS	304.95
			1,560.83	NET PAY	1,255.88

Gross contractual pay is reduced by pension contribution amount. The University will pay this in addition to its current employer pension contribution

“sacrifice”

Take-home pay increases because lower NIC is paid

- Employee NIC saving = £9.95 per month

Key dates

- Employee opt out/in - 1 December 2009 to 15 February 2010
- 'Go live' date - 1 February 2010 (you will see the first adjustment in your Feb payslip)
- Annual renewal date* - 1 April for 2 weeks

* After the implementation of Pension Salary Sacrifice, employees will only be able to opt in or out of the arrangements either on an annual basis or on the occurrence of a 'lifestyle event'.

Next steps

- Review the communication documents to decide if you wish to enter the new arrangements (decision must be made by 15 February 2010)
 - If you wish to join the scheme then there is nothing you need do
 - If you do not wish to join the scheme then complete the opt out form (available from the HR pages of the intranet)
- Contact HR if your circumstances change (as a result of a lifestyle event) and you wish to opt out of the arrangements
- Review your circumstances annually and opt in/out of the scheme as necessary



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