Pensions Extra
Frequently Asked Questions (FAQs)

1 What happens to my pension scheme contributions under Pensions Extra?
Both Pensions Extra salary exchange schemes work in exactly the same way – the only thing that is slightly different are the contribution rates for employees and the University. Under Pensions Extra:

- You will stop making your employee pension contributions to USS or the University of York Pension Fund.
- The University will increase its employer contributions and pay an additional amount equivalent to your current employee pension contribution directly into either USS or the University of York Pension Fund.
- Your contractual gross pay will be reduced by the amount that you previously paid into the pension scheme.
- As a result your take home pay will increase because you are paying less National Insurance contributions (NI). This is because NI is calculated on gross pay after the reduction for pension contributions. The University will also make NI savings in the same way.
- Additional Voluntary Contributions (“AVCs”) will not form part of Pensions Extra for either pension scheme.
- The overall level of contributions being made to the scheme will remain unchanged.
- The calculation of pay awards, increments, overtime, etc. will continue to be calculated on your pay before any salary exchanges and will not therefore be affected.

2 How will Pensions Extra Salary Exchange affect my salary?
Under Pensions Extra (USS) and (UoY) both pension schemes will operate on the basis that all normal 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 amount of pension contributions that you currently pay. This revised salary will be known as your post salary exchange pay. In exchange for this reduction in your salary, the University will make an equivalent additional employer contribution into the relevant pension scheme.

Your pension and other similar benefits will continue to be based on your pay before taking account of any Pensions Extra (USS) or (UoY) or other salary exchange adjustments (known as notional salary).

3 Why do I need to agree to a reduction in pay?
In order for the salary exchange schemes to be effective, the University will need to make amendments to your Terms and Conditions in accordance with the provisions of Section 4 of the Employment Rights Act 1996. It is important that you understand and agree these changes. If you are eligible to participate in Pensions Extra (USS) or (UoY) you will automatically be included.

4 Will my pensionable salary remain the same?
Your pensionable salary is made up of your annual notional salary and any other regular sums defined by the University as part of basic pay. Under Pensions Extra (USS & UoY), it will continue to be calculated as at present before the Pensions Extra and any other salary exchange reductions.

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5 Am I eligible to participate in Rewards Extra?

As an employee of the University of York, you are eligible to participate in all Rewards Extra schemes. There are, however, some additional conditions attached to some of the schemes.

In order to participate in one of the salary exchange schemes, the salary exchange must not reduce an employee’s actual, post-salary exchange pay below the National Minimum Wage (£6.95 per hour from 1 October 2016).

In addition, entitlement to certain state benefits could also be affected if your earnings fell below the NIC Lower Earnings Threshold. For this reason, the University has introduced a Pay Protection Limit (currently £8,200 per annum) which means that any employee whose actual annual earnings are below this amount, may not take part in a salary exchange scheme. The reason for this Pay Protection limit is to do just that – to protect the employee’s salary from falling below the Earnings Threshold and to ensure that entitlement to state benefits is not reduced.

The University will identify any staff whose actual annual earnings are below either the National Minimum Wage or the University’s Pay Protection Limit and will write to these individuals about their options for joining Rewards Extra. If you are not currently in this category but believe your circumstances may change, you should contact HR Services.

Also, in order to take a loan from the University to pay for the cost of a new bike or an annual bus or rail ticket, you must have a contract of longer than 12 months from the day that the loan becomes effective from.

6 What happens if there are several salary exchange benefits?

At present, the University already offers pension scheme contributions, Childcare Vouchers, Nursery Fees and a Cycle to Work scheme through salary exchange. The University may introduce further salary exchange benefits under Rewards Extra to offer employees a more flexible reward package.

You will be able to participate in all the salary exchange benefits as long as this does not bring your Post Salary Exchange pay to below the National Minimum Wage or the University’s Pay Protection Limit of £8,200 a year. If this does become an issue, the order in which you will be able to take salary exchange benefits will be:

- Pensions Extra
- Childcare Extra
- Nursery Extra
- Cycle to Work Extra

The order in which you will be able to take salary exchange benefits may change as further salary exchange benefits are introduced.

7 What about death in service benefits and the spouse's or civil partner's pension payable from my pension scheme?

These benefits are unchanged and will continue to be based on your notional salary.

8 Will I still get the same pension at retirement?

Yes. Your pension at retirement is based on your service in the pension scheme and your pensionable salary. Your pensionable salary will be based on your notional salary therefore your pension benefits will be unchanged.

9 If my salary is being reduced what will my payslips look like?

Your payslips will look slightly different. Your notional salary will be shown on your payslip together with the Pensions Extra reduction. Your post-salary exchange pay will also be reflected on your
payslip. Your previous pension contributions deduction may still show on the payslip but with a nil value as you are no longer paying any contributions.

10 Will Rewards Extra affect the amount of tax relief I receive?
Yes. Some of the salary exchange benefits attract tax as well as NI savings. As each scheme operates in a slightly different way, you are advised to read the rules and description of each scheme for accurate information on the savings available in each. Under Pensions Extra, however, the amount of tax relief received will not be affected as pension contributions are paid before tax is deducted.

11 I am over the State Pension age and therefore do not pay NI. Can I participate in Pensions Extra?
If you are over the State Pension age you will not pay NI on your earnings and, as a result, you will not see any change in your take home pay through participating in Pensions Extra. However, the University is still required to pay employer’s NI and will therefore make a saving which will help to reduce its costs. You will be automatically entered into the arrangement. If you do not wish to participate in Pensions Extra, you can opt-out.

12 What happens to my pension if I cease employment with the University and leave the pension scheme?
If you cease employment with the University and leave USS or the University of York Pension Fund with more than two years’ pensionable service there will be no change. You will have the choice of a deferred pension or a transfer value of your deferred benefits.

Currently, if you leave with less than two years’ and more than three months’ pensionable service you have the option of a transfer value or a refund of your own contributions (less statutory deductions). Under Pensions Extra you will no longer make employee contributions and therefore you will not be able to receive a refund of any contributions made by your employer on your behalf. Instead, you will be able to receive a deferred benefit. If you are a member of USS, this deferred benefit would be based on the notional value of your own contributions only.

If you leave with less than three months’ pensionable service, you would be entitled to a refund of your own contributions. Under Pensions Extra, you would not have made any contributions, and so no refund would be payable. There would also be no benefits due to you under either the University of York Pension Fund or USS.

13 Do I have to do anything to participate, eg sign any forms?
If you are already a member of either the USS or University of York Pension Fund, you will automatically be included in the Pensions Extra (USS) or (UoY) scheme, unless you have previously opted out of Pensions Extra.

If you wish to take advantage of any of the Rewards Extra schemes, you can do so at scheme renewal each year in October. You will need to visit the website and select the benefit you would like to take advantage of. If you do not have access to a computer, you can ask to receive a hardcopy brochure detailing all the benefits on offer and an application form you can complete to take part in any of the schemes.

You can also access some of the schemes throughout the year if you experience a defined “lifestyle change”.

14 What if I do not want to participate in Pensions Extra?
You can find opt-out forms on the HR website [http://www.york.ac.uk/admin/hr/resources/forms/]. Completed forms should be returned to HR. If you choose to opt out of Pensions Extra you will still...
be able to participate in the respective pension scheme but will not be able to take advantage of the
NI savings and higher take home pay as a result.

15 How will new starters be treated?

Upon joining a pension scheme, new starters, with a salary above the Pay Protection Limit, will be
entered into Pensions Extra from the first day of membership, unless they have already chosen to
opt out. Subject to this same Pay Protection Limit, new starters will also be able to join any other
salary exchange or voluntary benefits scheme. New starters on fixed-term contracts of two years or
less will not be automatically enrolled into Pensions Extra, but will be able to opt in if they want to.

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

If you have more than one job at the University, your pay for all jobs will be aggregated when
calculating the reduction in salary. If you opt out of Pensions Extra for one job, you will be opted out
for all your posts at the University.

17 How long will salary exchange be offered?

These types of schemes have been available for a number of years and there does not currently
appear to be any indication that they will be withdrawn by the government.

It is the University’s intention to run the scheme indefinitely. Salary exchange follows government
recognised methods of paying pension and other benefit contributions, and is designed to make
these schemes more attractive. If these change or if there is no longer any benefit in this
arrangement, the University reserves the right to withdraw any or all of the salary exchange
schemes. Should this happen, pension and other benefit contributions would revert to deductions
from salary and your salary would no longer be reduced by the amount equivalent to your salary
exchange contributions. In the meantime you would have benefited from increased take home pay.

18 I am a member of a pension scheme other than USS or the University of York Pension
Fund. Can I participate in Pensions Extra?

No. Pensions Extra is currently only available to USS and University of York Pension Fund members.

19 I am a current member of University staff and am not currently a member of a pension
scheme. With the introduction of Pensions Extra, will I be made to join a pension scheme?

The introduction of Pensions Extra does not mean that you have to join one of the University’s
pension schemes. However, auto-enrolment legislation took effect at the University of York from
August 2013. This requires the University to automatically enter individuals that meet certain criteria
into either USS or The People’s Pension. If you are automatically enrolled into USS as a result of this
legislation, you will also be automatically enrolled into Pensions Extra (as long as this does not take
your salary below the pay protection limit of £8,200 or below the National Minimum Wage/National
Living Wage). You cannot currently contribute to The People’s Pension through a salary exchange
scheme.

20 Have the pension schemes trustees and the Unions been consulted?

Yes, the Trustee of The University of York Pension Fund and USS has been involved in agreeing the
revised scheme rules and the Unions were part of the project team that worked on the communication
and implementation of the Rewards Extra scheme.

21 If I decide to Opt Out of Pensions Extra, what will happen?

If you decide that you do not wish to take advantage of the National Insurance savings from Pensions
Extra, you can still remain a member of the relevant pension scheme, with the University making
deductions from your salary in respect of employee pension contributions.