Salary Sacrifice Frequently Asked Questions (FAQs)

1. **What is Employee Plus and why has the Company introduced it?**
   Employee Plus is a benefits package that was introduced to YCL and NYCH in December 2012. It supplemented the core benefits that staff already received – such as Pensions, Annual Leave, Sickness Pay and the Counselling and Employee Assistance Service. It introduced more choice into the Company’s reward offering and enables staff and the Company to take advantage of tax and national insurance (NIC) savings (known as Salary Sacrifice or Salary Exchange) on a number of new and existing benefits – a win-win situation.

   Employee Plus brought together already existing schemes, such as childcare vouchers, cycle to work bike purchase and discounts offered to staff by local companies, and enhanced these with many other benefits. The introduction and continued operation of the scheme was and is with the full involvement of all of the Campus Unions.

2. **Which benefits are offered through Salary Exchange?**
   Employee Plus offers salary exchange on the UoY pension scheme, childcare vouchers, the campus nursery and a cycle to work scheme. Detailed information on each scheme is available on the Employee Plus website [www.york.ac.uk/commercialservices/employeeplus](http://www.york.ac.uk/commercialservices/employeeplus).

3. **Does the Company offer any other benefits?**
   Yes. Through using Edenred as its specialist benefits provider, The Company has been able to negotiate preferential rates for staff on a number of other benefits as well as on a wide range of goods and services.

4. **Is Salary Exchange different from Salary Sacrifice?**
   No. Salary Exchange is the term that the Company prefers to use in its Employee Plus scheme but the concept is exactly the same as Salary Sacrifice.

5. **Why do I need to agree to a reduction in pay?**
   In order for the Salary Exchange schemes to be effective, The Company 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 Plus you will automatically be included.

6. **How do I pay for my salary exchange?**
   The salary exchange benefits are paid through a monthly salary deduction.

7. **When can I join a salary exchange scheme?**
   The Employee Plus scheme renewal date is 01 December each year – the enrolment (or election) period leading up to this is the annual period when you can make changes to your benefits choice. Outside this annual renewal period Salary Exchange choices can only be changed subject to a defined Lifestyle Event occurring.

8. **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 Company as part of basic pay. Under Pensions Plus, it will continue to be calculated as at present before the Pensions Plus and any other Salary Exchange reductions.

9. **Am I eligible to participate in Employee Plus?**
   As an employee of the Company, you are eligible to participate in all Employee Plus schemes. There are, however, some additional conditions attached to the Salary Exchange schemes with regard to an employee’s actual rate of pay and the need not to reduce it below the National Minimum Wage.

   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 Company has introduced a Pay Protection Limit (currently £8200 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 Company will identify any staff whose actual annual earnings are below either the National Minimum Wage or The Company’s Pay Protection Limit and will write to these individuals about their options for joining Employee Plus. If you are not currently in this category but believe your circumstances may change, you should contact the HR Team.
10. What happens if there are several Salary Exchange benefits?
   At present, the Company offers Childcare Vouchers, Nursery Fees and a Cycle to Work scheme through Salary Exchange. The Company may introduce further salary exchange benefits under Employee Plus 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 Company’s Pay Protection Limit - see Question 9. If this does become an issue, the order in which you will be able to take Salary Exchange benefits will be Pensions Plus, Childcare Plus, Nursery Plus then CyCletoworkPlus. The order in which you will be able to take Salary Exchange Benefits may change as further Salary Exchange benefits are introduced.

11. If I agree to participate in Salary Exchange, will it affect any other payments?
   All future salary increments and national pay awards will continue to be based on your Notional Salary, ie, your Annual Salary before any Salary Exchange adjustments. All of your pay-related benefits offered by the Company will also be calculated on your Notional Salary. However, because of the way in which Statutory Maternity Pay (SMP) is calculated it may be affected (see Question 18).

12. What about Death in Service and Spouse’s Pension?
   These benefits are unchanged and will continue to be based on your Notional Salary.

13. 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.

14. 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 salary sacrifice 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.

15. Will Employee Plus affect the amount of tax relief I receive?
   Yes. Some of the Salary Exchange benefits attract tax as well as NIC 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 Plus, however, the amount of tax relief received will not be affected as pension contributions are paid before tax is deducted.

16. Are there any circumstances where I may not be eligible to participate in a Salary Exchange scheme?
   You will not be able to participate in any Salary Exchange scheme if either your earnings are close to the National Minimum Wage or your earnings fall below the Company’s Pay Protection Limit – see Question 9. If we think that either of these will apply to you, we will contact you separately. However, if you believe that you may fall into one of these categories, please contact the HR team.

17. I pay NIC at the married women’s reduced NIC rate. Will I benefit from NIC savings?
   If you pay NIC at the reduced rate for married women and widows (applicable to those employees who made this election prior to 12 May 1977), you pay NIC at a reduced rate of 5.85% (rather than 10.60%) on earnings between £146 to £817 per week (£7,605 to £42,475 per annum) and 2% on earnings above £817 per week (£42,475 per annum).

   You will still make NIC savings from participating in Pensions Plus and any other relevant Salary Exchange arrangements, but your savings will be based on these rates rather than the amounts referred to elsewhere in this document. If you would like to discuss the potential level of NIC savings available to you in further detail, please contact the Payroll department.

18. Will Pensions Plus and other Salary Exchange schemes affect Maternity Pay?
   The rules surrounding Maternity Pay can be complex. If you are due to go on maternity leave please contact the HR team for further advice. However, it is the Company’s intention that you will be no worse off as a result of participating in a Salary Exchange scheme.

19. Will Salary Exchange affect Adoption Pay?
   The qualification rules for Adoption Leave and Adoption Pay are complex. If you are considering, or going through, an adoption placement please contact the HR team for further advice. However, it is the Company’s intention that you will be no worse off as a result of participating in a Salary Exchange scheme.

20. What if I need a reference for a mortgage or a loan – which salary figure will be used?
   We will advise lenders of the amount of your Notional Base Salary, which is your pay before any reduction under a Salary Exchange scheme.

21. What happens to my pension if I cease employment with the Company and leave the pension scheme?
   If you cease employment with the Company and leave the pension scheme 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 same options as above (a deferred pension or a transfer value) plus the option of a refund of your own contributions (less statutory deductions). Under
22. Will Salary Exchange impact on my Tax Credits?
Participation in a Salary Exchange scheme alone (such as Cyclotowork Plus) should not impact on any HMRC Tax Credits. Participation in Nursery Plus or Childcare Plus could impact on your tax credits, and you may wish to consider this before deciding to participate in either of these arrangements. You can find out more information from HM Revenue & Customs on 0845 300 3900 or www.hmrc.gov.uk/taxcredits/payments-entitlement/entitlement/question-how-much.htm.

23. What about State pension benefits?
Any impact on State Second Pension benefits would be minimal compared with the National Insurance savings as both pension schemes are contracted-out of the State Second Pension. This means the pension scheme provides more than the benefits the State Second Pension would otherwise provide.

24. Will Salary Exchange have any impact on my payments to the Child Support Agency (CSA)?
Child maintenance payments to the CSA are calculated with reference to your net income, i.e. your pay after the deduction of pension contributions, tax and NIC. Under Salary Exchange your net income increases because you are paying less NIC and your child maintenance payments may therefore increase as a result.

If you decide to participate in any Salary Exchange scheme, you should notify the CSA of the change in your net income immediately. Contact details for the CSA and further details can be obtained from the CSA's website at www.csa.gov.uk.

25. Will my student loan repayments be affected?
If you are repaying a student loan taken out with the Student Loans Company, your student loan repayments may be reduced slightly as a result of participating in Salary Exchange. This is because your repayments are calculated based on your gross earnings, which will be reduced under Salary Exchange by the salary exchange amounts.

26. Do I have to do anything to participate, e.g. sign any forms?
If you are already a member of the University of York Pension Scheme, you will automatically be included in the Pensions Plus scheme, unless you have previously opted out of Pensions Plus.

If you wish to opt in to Pensions Plus or take advantage of any of the other Employee Plus schemes, you can do so at scheme renewal each year in December. 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 will 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.

27. What if I do not want to participate in Pensions Plus?
You can find opt-out forms on the Employee Plus website http://www.york.ac.uk/commercialservices/employeeplus
Completed forms should be returned to the HR team by the closing date of the benefit selection period should you choose not to participate. If you choose to opt out of Pensions Plus you will still be able to participate in the respective pension scheme but will not be able to take advantage of the NIC savings and higher take home pay as a result.

28. What if I change my mind or my circumstances change?
If you decide to participate in any Salary Exchange or Voluntary Benefits scheme, you will not be able to opt-out until 1 December and thereafter any subsequent 1 December, unless you experience one of the following “Lifestyle Events”:

- Marriage or civil partnership
- Birth or at key stages in adoption of a child
- Becoming pregnant/notification of pregnancy or commencement of return from maternity leave
- Divorce/legal separation/dissolution of civil partnership
- Death of a partner or dependant
- Long-term sick leave
- Return from long-term sick leave
- Redundancy of partner or involuntary loss of job
- Commencement of or return from unpaid leave of greater than 3 months (adoption, paternity, sabbatical, etc.)
- A significant change in hours
- Decrease in Notional Salary of 20% or more
- Commencement of or return from a secondment
- The Company initiated changes to contractual terms and conditions
- Pensions Plus - Leaving UoY Pension Scheme
- Pensions Plus - Reaching State Retirement Age

December 2015
If you decide to opt out of any Salary Exchange or Voluntary Benefit scheme, you will have the opportunity to review your decision and elect to participate again with effect from 1 December and thereafter any subsequent 1 December. You will also be able to elect to participate again if you experience one of the lifestyle events listed above.

29. 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 Plus 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 Plus.

30. What happens if I have more than one job at The Company?
If you have more than one job at the Company, your pay for all jobs will be aggregated when calculating the reduction of salary. If you opt out of Pensions Plus for one job, you will be opted out for all your posts at the Company.

31. 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 Company’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 Company reserves the right to withdraw any 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.

32. Have the pension schemes trustees and the Unions been consulted?
Yes, the Trustees have been involved in agreeing the revised UoY Pension Scheme rules and the Unions are part of the project team that has worked on the communication and implementation of the Employee Plus scheme.

33. How will the Company use the savings generated by Salary Exchange?
It makes good business sense for the Company to take advantage of Salary Exchange to deliver benefits to employees in a more cost-effective way, whilst also generating cost savings for employees. With some of the savings from Salary Exchange, the Company will:

- provide employees with a greater choice of benefits and bring together all current and many new offerings as “Employee Plus,” administered by Edenred.
- secure the services of a specialist employee benefits provider, Edenred, who will use its national purchasing power to maximise the discounts available to employees on voluntary benefits and employee savings.
- fund the provision of additional salary exchange benefits (many of which involve management fees or service charges).
- be able to more quickly fund improvements required as identified by the Staff Opinion Survey (work environment, facilities, etc.)

34. What is the role of Edenred?
Edenred are one of the UK’s leading employee benefits schemes providers with a wealth of experience and expertise in the employee benefits arena. They help us source our range of employee benefits and provide all the administration for our scheme. What this means is that we provide Edenred with employee data so that they can set up and administer Employee Plus for us. This includes the administration of employee benefit choices, provision of a Help Desk facility so you can ask questions about the different schemes, and processing of all the data to ensure that appropriate salary deductions can be made. Edenred hold the employee data in a secure data storage environment, and this information is only available to the individual employee using a secure log-on and password access to the web site. All of the Company’s benefit schemes under Employee Plus are administered by Edenred.

35. If I decide to Opt Out of Pensions Plus, what will happen?
If you decide that you do not wish to take advantage of the National Insurance savings from Pensions Plus, you will retain your existing pension arrangements, with the Company making deductions from your salary in respect of employee pension contributions.

36. Who can I ask if I have any additional questions?
If you have any additional questions, please contact the HR team by sending an e-mail to: ycl-hradmin@york.ac.uk. Your query will be logged and responded to in due course.