



The University of Essex

PensionsPlus

A smarter way to pay for your pension

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Introduction

PensionsPlus: a smarter way to pay for your pension

PensionsPlus is a simple and risk free way to deliver savings for the majority of staff and the University. This means that almost all members of staff in the Universities Superannuation Scheme (USS) and the University of Essex Pension Scheme (UEPS) will make savings on their National Insurance (NI) contributions. Unfortunately the Local Government Pension Scheme (LGPS) does not currently allow members to participate in PensionsPlus, therefore members of LGPS will continue to make the same pension contributions as they do currently.

PensionsPlus is not another pension scheme – it's simply a more effective way of paying into your existing pension scheme.

This booklet explains in more detail how PensionsPlus works, including how to opt out (see page 7 for details). Further information can be found at <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm>.

This booklet is a summary, and although it has been checked in detail to ensure it correctly reflects the respective rules of USS and UEPS, it is the case that in the event of a conflict between this booklet and the trust deed and rules of any of those schemes, the trust deed and rules of the relevant scheme will override the provisions in this booklet.

"PensionsPlus means that almost all USS and UEPS members will see an increase in their take-home pay as their National Insurance contributions reduce."

Taking part in PensionsPlus is a change to your contractual terms and conditions of employment with effect from joining the scheme.

How does it work?

Although the same amount of money as you currently pay into your pension scheme will go into USS or UEPS on your behalf, it will all be paid by the University of Essex. As a result, both you and the University pay less NI.

How it works:

1. You stop making your pension contributions from your pensionable salary.
2. The University of Essex pays an amount directly into your pension scheme equal to the value of your contributions.
3. The University of Essex then reduces your contractual basic salary by the value of your contributions.
4. This means you pay less NI, so your take-home pay will increase.

We will still keep a record of your salary before PensionsPlus. This will be used for any salary related calculations, such as pay reviews, enhancements, overtime and paid leave (e.g. study leave and sick leave); these will not be affected by PensionsPlus.

Four reasons why PensionsPlus is good for you

1. You pay less NI so your take-home pay goes up, without affecting your income tax.	✓
2. Your pay reviews and any enhancements, including overtime, are not affected.	✓
3. Your pension contribution is still based on your salary before any adjustment for PensionsPlus.	✓
4. Retirement, life assurance and death benefits are based on your salary before any adjustment for PensionsPlus, so will be unaffected.	✓

The University will use the amount of your salary before any adjustment for PensionsPlus in any personal official letters issued by the University in relation to your employment with us e.g. mortgage letters, loan applications, job references etc.

PensionsPlus will not affect your income tax position. At present your pension contributions are deducted from your pay before income tax is calculated. By joining PensionsPlus this will not change in any way. This is because the reduction in your contractual basic salary is equal to the amount of the tax-deductible contributions that you would otherwise have paid.

How much will my take-home pay increase by?

The increase in your take-home pay depends on your pensionable salary and how much you pay in NI contributions. The table below gives you an idea of the annual saving you could expect.

Please note that this table shows the estimated savings for a USS member paying either 6.5% of Pensionable Earnings as a Career Revalued Benefits Section member or 7.5% of Pensionable Earnings as a Final Salary Section member, and a UEPS member paying 6.00% of pensionable salary. You can visit <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm> to calculate exactly how much you will save.

Pensionable Salary	Estimated saving for a		
	USS Final Salary Section (7.5% contribution) per year	USS Career Revalued Benefits Section member (6.5% contribution) per year	UEPS member (7.00% contribution) per year
£15,000 - £25,000	£120 - £200	£105 - £175	£110 - £185
£30,000 - £40,000	£240 - £320	£205 - £275	£220 - £295
£50,000 - £60,000	£75 - £90	£65 - £80	£70 - £85

Note: the approximate savings above are calculated as at April 2012 to the nearest £5 and are provided as an indication of the actual NI saving that will be received.

On the following page is an example of an actual payslip before and after joining PensionsPlus, please note:

1. Your pensionable salary will be based on your salary before PensionsPlus and will include any other earnings as may be recognised by the University as pensionable. Your Basic State Pension and State Second Pension will not be affected any differently by joining PensionsPlus and will run in line with the pension scheme rules as at present.
2. The sample payslip shown in this booklet is based on rates applicable for the tax year 2012/13.
3. Note: members over State Pension Age do not pay any NI and as a result will not make an NI saving. However, you will still be included in PensionsPlus as the University will still make savings on the NI it pays.
4. For ease of reference, Year to Date figures are not shown.

Payslip examples

Here's how a payslip would look for a USS member contributing 6.5% and earning £25,000 per year **before** PensionsPlus



		Pay Date	01/04/2012
Employee Name	Employee No.	Tax Period	1
Ann N Other	123456	Tax Code	810L
		N.I. Numbe	AA1212 12F
		N.I. Code	D
Payments	Deductions	This Period	
Basic Pay	2,083.33	Tax	254.50
		NI	151.27
		EE Pension	135.42
		Year-to-Date	
Payments	2,083.33	Deductions	541.19
		NET PAY	1,542.14
		Paid by	
		Sort Code	
		Account No.	

Here's how a payslip would look for a USS member contributing 6.5% and earning £25,000 per year **after** PensionsPlus



		Pay Date	01/04/2012
Employee Name	Employee No.	Tax Period	1
Ann N Other	123456	Tax Code	810L
		N.I. Numbe	AA121212F
		N.I. Code	D
Payments	Deductions	This Period	
Basic Pay	2,083.33	Tax	254.50
USS Plus	-135.42	NI	136.92
		Year-to-Date	
Payments	1,947.91	Deductions	391.42
		NET PAY	1,556.49
		Paid by	
		Sort Code	
		Account No.	

As a result of PensionsPlus, this employee saves approximately £170 per year (£14 per month).

What do I need to consider?

Although most employees will benefit from PensionsPlus, there are some who might not benefit from joining and this may be due to the following reasons:

- Members who earn less than the Primary Earnings Threshold for NI contributions: £7,605 for the 2012/13 tax year. This is because you would not make any savings as you start making NI contributions from this level. Also, if you earn less than the lower earnings limit £5,564 for the 2012/13 tax year, you may see your State benefits (such as statutory sick pay, incapacity benefit and job seeker's allowance) affected as these are based on the amount of NI contributions you pay.

To protect those who may fall into this category we are introducing a pay protection limit of £7,800 a year (for the tax year 2012/13). If your earnings fall below this limit, you would not be able to participate and will automatically be taken out of PensionsPlus. You will continue to pay your monthly pension contributions in the same way as you do now. The pay protection limit will be reviewed in line with the Earnings Thresholds on an annual basis in accordance with the Inland Revenue regulations.

- Although the University does not pay below the National Minimum Wage (NMW), there may be employees whose pay could fall below the NMW by participating in PensionsPlus. These employees will not be able to reduce their actual earnings below the NMW as it is illegal to do so. This will not currently impact upon any member of staff but we will continue to monitor this.

If your earnings fall below the NMW, due to participating in PensionsPlus you will not be able to participate and will be taken out of PensionsPlus automatically. You will continue to pay your monthly pension contributions as you do now. The test for NMW has to be done on all your salary sacrifice arrangements e.g. pension, childcare and the cyclescheme.

- Employees who work less than 16 hours a week may find their Job Seekers Allowance affected. You will need to decide whether this is an issue for you and whether you wish to participate in PensionsPlus or not.

The University identifies employees it expects may not benefit from joining PensionsPlus and informs them individually that they will not be enrolled in PensionsPlus. If you have not received such a letter from us but think that you may be affected by one of the points noted above, please contact the Payroll and Pension Office via payquery@essex.ac.uk or on calling EXT 2159.

What do I do next?

If you wish to participate in PensionsPlus you don't need to do anything.

However, if you want to opt out, please contact the Payroll and Pension Office via payquery@essex.ac.uk or calling EXT 2159 for an opt out form. You must complete and sign the form by the penultimate day of the month prior to the first month PensionsPlus starts. You can subsequently decide to opt into PensionsPlus from 1 April each year.

If you have any questions, you may find the answers in the following section. If not, please visit <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm>.

If you are unsure about whether or not you should participate in PensionsPlus, you should seek independent financial advice. Details of independent financial advisers (IFAs) near you can be found by calling IFA Promotion Ltd on **0800 085 3250** or at: www.unbiased.co.uk. But remember, PensionsPlus is designed so that most members will benefit from taking part.

Who to contact?

Opt out form and Payroll (earnings related enquiries)

Payroll and Pensions Office
telephone: EXT 2159
email: payquery@essex.ac.uk

Human Resources (contractual enquiries)

telephone: EXT 3433
email: staffing@essex.ac.uk

Website

If you would like to see exactly how the switch to PensionsPlus would affect your take-home pay, you can use the 'PensionsPlus modeller' which can be found on the University website. Simply follow the link from: <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm>.

FAQs

Does this affect the pension I will get from the scheme?

No. Your pension will not be affected and continues to be a valuable benefit to you.

Why does the University operate PensionsPlus?

PensionsPlus reduces the NI you pay, increasing your take-home pay. At the same time, it is an efficient way of delivering NI savings to the University. All savings help contribute to the ongoing growth of the University, which in turn benefits us all.

Why are members of the Local Government Pension Scheme (LGPS) not included in PensionsPlus?

The LGPS does not currently allow members to participate on a PensionsPlus basis. If the situation changes we will let those affected know.

How much will I save?

This will vary depending on your salary and which pension scheme you are in. Please see page 3 for more information or visit <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm> to use the earnings modeller calculate your savings.

Why are savings different for different rates of pay?

The savings you make will depend on the actual contributions to your pension scheme and the National Insurance contributions rate applicable to you. For earnings between £7,605 (2012/13 Primary Earnings Threshold) and £40,040 (2012/13 Upper Accrual Point) you will pay NI contributions of 10.6%; on earnings between £40,040 and £42,475 (2012/13 Upper Earnings Limit) you will pay NI contributions of 12% and on earnings above this you pay NI contributions of 2%.

Is this a change to my terms and conditions of employment?

Yes. This is because the University is changing your salary by the amount of pension contributions you make from when you join the USS.

Do I need to sign a new contract?

No. You will be deemed to have accepted the new terms and conditions of employment unless you opt out and your existing contract will be varied to this effect.

Why are my terms and conditions of employment changed?

To benefit from the reduction in NI, it is necessary to reduce your contractual gross pay, which is a change to your terms and conditions of employment. This is the only change and there is no effect on any other element of your pay or benefits. In fact, most employees can be better off by participating in PensionsPlus.

How long will PensionsPlus last?

The University plans to operate PensionsPlus indefinitely. However, if Tax, NI, Pension or Employment law is changed or if it is no longer viable for the University to provide the benefit, we reserve the right to withdraw PensionsPlus. In this instance you would begin making pension contributions again from your pensionable salary as at present and you wouldn't be required to pay back any of the savings you have made.

The University also reserve the right to make changes to PensionsPlus from time to time. You will be given sufficient notice of any changes accordingly.

Have the Trustees and the Unions been involved?

Yes, the USS and UEPS Trustees are aware of this arrangement and have agreed to the implementation of PensionsPlus on the basis that all the correct procedures have been followed and completed by the University; and the Trade Unions have been kept informed.

Are other Universities doing this?

Many other Universities have already introduced an arrangement similar to PensionsPlus, including Leeds, Edinburgh, Durham and Bath.

What happens if my personal circumstances change and I become worse/better off as a result of PensionsPlus?

There are a number of 'Lifestyle Events' that allow you to opt out or join PensionsPlus at the discretion of the University. For example, if you change working hours, or go on maternity, adoption or paternity leave. If you experience a change in lifestyle, or you want to obtain a list of Lifestyle Events, please contact the Payroll and Pension Office via payquery@essex.ac.uk or calling EXT 2159.

If you have a lifestyle change you will need to make sure the Payroll and Pension Office receives the instruction to either join or opt out of PensionsPlus by the penultimate working day in the month, to be effective from the following month. For example, if your Lifestyle Event occurs on 23 September you will need to let the Payroll and Pension Office know you want to opt out of PensionsPlus on or before 30 October, the change will be reflected in your November pay.

Can I opt out of PensionsPlus?

Yes. You can do so by informing us before the next opportunity to change, which will be 1 April each year. You must inform us before 30 March if you wish to opt out of PensionsPlus. If you fail to meet this deadline you will remain in PensionsPlus until the following 1 April (unless you have a qualifying life event).

If I decide to opt out, can I opt back in?

You will be able to opt back in at the next opportunity to change, which will be 1 April each year. If you are considering opting back in to PensionsPlus, please contact the Payroll and Pension Office via payquery@essex.ac.uk or calling EXT 2159 for further information. You will need to inform us of your decision to opt back in by no later than 30 March in order to be opted in with effect from the following 1 April.

If I have been automatically opted out by the University, can I choose to opt back in?

If you have been automatically opted out of PensionsPlus by the University it is unlikely that you would benefit from opting back in, unless your circumstances have changed. If your salary increases over the pay protection limit or your salary has increased and participating in PensionsPlus would not adversely affect you, you will automatically be opted back into PensionsPlus by the University with effect from 1 April of the following year. The University will write to you to let you know this will happen and to give you an opportunity to choose to remain opted out.

If any other personal circumstances change and you feel you may benefit from participating, please contact the Payroll and Pension Office via payquery@essex.ac.uk or calling EXT 2159.

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

If you have more than one position with the University, we will use your **total** pay to determine if PensionsPlus will benefit you.

Will PensionsPlus affect any benefits I get from the State?

Entitlement to some State benefits, such as Statutory Sick Pay, Incapacity Benefit and Job Seekers Allowance are based on the amount of NI you pay.

If the introduction of PensionsPlus means that your gross basic salary will be (for the 2012/13 tax year) around £7,605 or less and will therefore affect the amount of NI you pay, you will need to consider whether or not you should take part in PensionsPlus.

The University of Essex operates a pay protection limit to ensure no-one is worse off; therefore anyone with annual earnings below £7,800 (for the tax year 2012/13) will automatically be opted out of PensionsPlus. The pay protection limit will be reviewed by the University each year and may be subject to adjustment. We will contact you to inform you if any adjustment directly affects you.

Will PensionsPlus affect any statutory benefits I'm entitled to?

As PensionsPlus reduces your gross basic salary this can affect the amount of certain statutory benefits to which you are entitled, such as Statutory Maternity, Paternity and Adoption Pay. Please use the appropriate contacts shown on page 7 for general guidance on the impact of PensionsPlus and to help you decide whether or not to opt out.

What happens if I am entitled or may be entitled to Working Tax Credit or Child Tax Credit?

The reduced cash salary paid to you (after the PensionsPlus payment is deducted from your salary) is the figure used when calculating your entitlement to these credits. Although PensionsPlus will not normally reduce Working Tax Credit or Child Tax Credit you should call the Tax Credit Helpline (details can be found on page 14 for advice on how it will impact your tax credits as it will depend on your personal circumstances).

I have Childcare Vouchers and/or Flex Benefits (day nursery) and/or am a member of cyclescheme. Will these be affected?

This will depend on your personal circumstances but for most people the answer will be no. These schemes work in the same way as PensionsPlus and are known as 'salary sacrifice' by HM Revenue & Customs. Please note that the check for National Minimum Wage and the pay protection limit will be on your combined sacrifices i.e. Childcare Vouchers/Flex Benefits (day nursery) and cyclescheme and PensionsPlus to ensure that you are not adversely affected. Any similar arrangements in the future will also need to be included as well.

If you are unsure of the impact of this please contact the Payroll and Pension Office via payquery@essex.ac.uk or calling EXT 2159 for general guidance on the impact of PensionsPlus.

I am on a secondment/have been posted abroad/on sick leave/on a sabbatical or on unpaid leave – am I eligible for PensionsPlus?

As long as you receive an annual salary from the University which is over the pay protection limit, of £7,800 (for the tax year 2012/13), would not otherwise fall below the NMW, pay NI contributions and you are a member of the USS or UEPS, you will automatically be opted into PensionsPlus.

If you do not meet one or more of these criteria you will automatically be opted out of PensionsPlus by the University.

Will PensionsPlus affect the pay I receive while on maternity/adoption leave?

If you go on maternity/adoption leave you will need to contact your HR Adviser for general guidance on the impact of PensionsPlus and to help you decide whether or not to opt out.

Will PensionsPlus affect any pension I am entitled to from the State?

PensionsPlus will not affect your Basic State Pension.

In addition to Basic State Pension some other pension scheme members are entitled to the State Second Pension. However, due to USS and UEPS pension scheme rules, all members are contracted out of State Second Pension and will therefore not be affected.

What if I am over State Pension Age?

If you've reached State Pension Age then you no longer pay NI and as a result will not make any NI saving. However, as you will not be adversely affected and the University will still make NI savings, you will be automatically included in PensionsPlus. If you do not want to participate, you will need to opt out.

Will AVCs be included in PensionsPlus?

No. It is not currently possible to include any USS or UEPS AVCs in PensionsPlus. We will contact you when this option becomes available.

What happens if I leave the University of Essex or the pension scheme?

If you leave the University or decide to leave the pension scheme (either USS or UEPS), and have been a member of that scheme for two years or more, PensionsPlus will not change anything.

However, if you leave **USS** before completing two years' membership, and do not have any benefits transferred in from a previous pension scheme, there could be relevant changes to the benefits you are entitled to and you should consider this information carefully if this is likely to affect you.

- If you leave **USS** with **0 - 3 months' membership**: you'll receive a payment of an amount equivalent to your (employee only) pension contributions, less tax and NI.
- If you leave **USS** with **3 – 24 months' membership**: your benefits will be preserved and you will have the option to either transfer this to an alternative pension arrangement or leave it in USS until you retire.

What happens if I retire?

Participating in PensionsPlus will have no impact on your retirement benefits as they will continue to be calculated on your salary before any adjustment for PensionsPlus.

Will my Student Loan be affected by PensionsPlus?

Student loans are based on pay that is subject to National Insurance (NI'able pay). If NI'able pay in the month is £1,250 or above, student loan deductions are made. As salary sacrifices reduce pay (and hence the NI that is payable), the amount of student loan repayments you make may therefore reduce. PensionsPlus may result in earnings falling below the monthly threshold of £1,250 in which case no repayments would be made.

How will life assurance and death benefits be affected?

Your death in service benefits will not be affected by PensionsPlus. These will continue to be calculated on your salary before any adjustment for PensionsPlus.

Other useful resources and information

If you have any further questions about PensionsPlus, please visit the Human Resources Home Page at <http://www.essex.ac.uk/personnel/PensionsPlus/default.htm>.

You may also find the following points of contact useful when making your decision:

Tax Credit Helpline

For more information about whether PensionsPlus would affect your tax credits please call **0845 300 3900** Monday to Friday between 8am and 8pm.

State Pension Advice Helpline

Visit www.thepensionsservice.gov.uk for more information, or you can call The Pension Service Monday to Friday from 8.00am to 8.00pm on **0845 60 60 265**.

If you wish to find out how much pension you will receive from the State you should contact The Pension Service and request a State pension forecast. The form (BR19) can be requested online at <http://www.pensionsservice.gov.uk/resourcecentre/orderform-step1.asp>.

When complete you will need to send it to Future Pension Centre, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA.

Independent financial advice

For details of IFAs in your area, visit IFA Promotion Ltd at www.unbiased.co.uk or call **0800 085 3250**.

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