

**The University of Edinburgh**

# **Pensions Plus**



## 1. What is Pensions Plus?

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**Pensions Plus** is a way for members of the University of Edinburgh's main pension schemes (SBS, NEST & USS) to contribute in a way that will save National Insurance contributions (NI) and will, for many staff, increase take-home pay

Pensions Plus works by you giving up an amount of your contractual gross pay equal to your pension contributions. In return, the University increases its contributions to cover both the employee and employer elements of the pension contributions.

**Pensions Plus** does not affect any other salary-related payments or benefits that you receive from the University such as salary increases, bonuses and overtime. These will be based on your **annual salary** or '**reference salary**' which is your basic pay before **Pensions Plus**. Your **pensionable salary** will be based on your annual salary or reference salary including any other earnings as may be recognised by the University of Edinburgh as pensionable. Your basic state pension will not be adversely impacted on.

Your annual salary or reference salary will also be the amount used in any personal official letters e.g. mortgage letters, loan applications or job references.

## 2. Should everyone participate?

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The University of Edinburgh automatically opts you into Pensions Plus when you join the pension scheme as most employees benefit from it. Almost all scheme members for whom the scheme is advantageous choose to participate in Pensions Plus. There may be a few members for whom it is not advantageous and we explain this in more detail in section 4. If you fall into this category, you will not be automatically opted into **Pensions Plus** and will instead pay your monthly contributions directly into the pension scheme in the traditional way.

If you personally decide not to participate, you need to complete the **Pensions Plus** opt out form, available from the University's pensions office, as soon as possible. If you are unsure about whether or not you should participate in **Pensions Plus**, you should seek your own financial advice. Details of an independent financial adviser (IFA) near you can be found at: [www.unbiased.co.uk](http://www.unbiased.co.uk). Remember, however, that **Pensions Plus** is designed so that most pension scheme members benefit from taking part.

### 3. How it works

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- You do not pay pension contributions directly
- Your contractual gross salary is reduced by the amount equivalent to your pension contribution.
- In return, the University increases its contributions by an equivalent amount which is paid directly into the pension fund
- As your basic salary is then lower, you pay lower NI

### 4. Who might not benefit from Pensions Plus?

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**Pensions Plus** is designed so that most members of SBS/USS/NEST benefit from taking part. However, there are some who may not benefit for various reasons. These include:

- USS members who are planning to leave the scheme before two years of service has been completed and who would like a refund of USS pension contributions. Under USS rules, if you participate in Pensions Plus and you leave before two years of service are completed, you are entitled to have your service accrued and either kept within the USS scheme or transferred to another recognised pension scheme. You are not entitled to a refund of your contributions. If you consider that you may be in the position of leaving the university before two years of service are completed and would be seeking a refund of pension contributions you should opt out of Pensions Plus.
- Members of SBS/USS/NEST who **earn less than the lower earnings limit for national insurance**, currently £6,136 a year (2019/20). This is because you would not make any savings and may see your State benefits affected.
- Although the University does not pay below the National Living Wage, there may be staff who could potentially be reduced to below NLW by participating in **Pensions Plus**. These staff are not allowed to participate as it is not legal to reduce an employee's pay below the NLW.

Therefore we have a pay protection limit (PPL) of £10,000 per annum (£833.33 per month) to ensure employees are no worse off. If your earnings fall below the PPL or the NLW, you will be automatically opted out of **Pensions Plus**.

In addition, members 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 **Pensions Plus** or not. If require further information on this please contact the payroll helpdesk on 0131-650-2277.

Note: members over State Pension Age do not pay any NI and as a result will not make an NI saving. However, you are still automatically included in **Pensions Plus**.

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**Pensions Plus** does not reduce the following tax credits:

- Childcare Element of Working Tax credit
- Working Tax credit

Please note that if we have automatically opted you out of Pensions Plus due to your salary falling below the thresholds above and your salary subsequently increases over the thresholds, we will automatically opt you back into **Pensions Plus** with effect from the next again tax year (April). A letter will be sent to you confirming this.

## **5. Frequently Asked Questions**

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### **Q.1 Does this affect the pension I will get from the scheme?**

No – your pension will not be affected and is a valuable benefit to you.

### **Q. 2 How much do I save in NI?**

The amount that you save varies depending on which pension scheme you are in and your level of pay. There is a Net Pay calculator available at <http://www.ed.ac.uk/finance/about/sections/payroll/salary-calculator> which shows the different in your take home pay should you pay your pension contributions by way of Pensions Plus.

### **Q.3 If I decide to opt out, can I opt back in?**

You will be able to opt in at the next available April.

### **Q.4 If I am automatically opted out can I opt back in?**

If you have been opted out of **Pension Plus** it is unlikely that you will benefit from being opted in. However, if you are aware of a lifestyle change e.g. increase in working hours etc and you feel you may benefit from being in the scheme please contact our payroll helpdesk on 0131-650-2277.

### **Q.5 If I go on secondment/on sick leave/on sabbatical or on unpaid leave – will I be eligible for Pensions Plus?**

As long as you receive a salary over £10,000 per annum (£833.33 per month) from the University and are a member of either USS/SBS/NEST, you will remain in **Pensions Plus**. If you do not meet this criterion you will automatically be opted-out.

## **Q.6 What happens if I go on maternity/paternity leave?**

You will be in **Pensions Plus** while you are entitled to enhanced maternity pay from the University, unless it is not beneficial to you. If there is any risk that you may be disadvantaged by being in Pensions Plus whilst on maternity leave, you will be automatically opted out.

When you advise the University of your intention to take maternity leave, you will be sent a letter explaining your options. If you have any further queries please contact the payroll helpdesk on 0131-650-2277.

## **Q.7 I have been on maternity leave – am I eligible for Pensions Plus on my return?**

Yes. If your earnings are above the pay protection limit when you return to work, you will be included in **Pensions Plus** and if they are below this limit, you will be opted out of **Pensions Plus**. You will also be able to opt in or out as a 'lifestyle event' at the time that you return, and can opt in or out at each subsequent enrolment period which is 1 April each year.

## **Q.8 What happens if I have multiple assignments or more than one post at the University?**

If you have more than one assignment or more than one post with the University, your total basic pay for your multiple assignments will be taken into account. If you fall below the pay protection level you will be opted out. If you opt out of Pensions Plus you will be opted out for all assignments or posts in the University.

## **Q.9 What happens if I leave the University?**

If you leave the University and have been a member of the pension scheme for two years or more, your benefits will be secured as normal.

Members of USS who leave before completing two years' pensionable service will be entitled to a transfer value of your fund, or a deferred pension. Because under **Pensions Plus** you do not actually make any contributions, you will not receive a refund. If you are likely to leave the University within two years of joining the pension fund and want to receive a refund of contributions you should opt out of Pensions Plus.

For members of SBS who leave before completing two years' pensionable service, the University will make a special payment to refund you an amount equivalent to your pre-Pensions Plus pension contributions.

Members of NEST will be able to continue to pay directly into their NEST account after leaving the University should they wish. This is because NEST is an individual account that members can pay into at any time and is not linked to their University employment.

### **Q.10 How long will Pensions Plus last?**

The University plans to operate **Pensions Plus** indefinitely. However, if Tax, National Insurance, pension law or practices change, or if it is no longer viable for the University to operate the scheme, we reserve the right to withdraw **Pensions Plus** which would return you to your current position as regards to contractual gross pay.

### **Q.11 Can I pay my Additional Voluntary Contributions by Pensions Plus?**

If you pay regular monthly AVCs these will be paid by Pensions Plus if your main pension contributions are paid by Pensions Plus. One off Lump Sum AVCs do not qualify for Pensions Plus.

### **Further information**

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If you have any questions about the USS/SBS/NEST pension schemes or **Pensions Plus**, please contact the Pensions department on 0131-650-8051.

If you have any questions about the impact of Pensions Plus on your pay, please contact the Payroll department on 0131-650-2277.

### **Other useful resources**

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#### **Tax Credit Helpline**

For more information about whether this may affect your tax credits please call **0845 300 3900** between 8am and 8pm.