



UCL



University College London (UCL) – PensionsExchange

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Following consultation with its trade unions, UCL is introducing PensionsExchange to employees in USS or SAUL pension schemes in May 2010. PensionsExchange operates by allowing savings in National Insurance Contributions (NIC) through changing the way that pension contributions are paid. Other universities such as Oxford, Cambridge, the LSE and Imperial College have already successfully implemented such a scheme. This Employee Guide covers the benefits to you, how the scheme works and aims to answer any questions you may have.

Please note that all amounts shown in this booklet are calculated in respect of the 2010/11 tax year and are subject to future changes in line with legislation, which is typically reviewed on an annual basis with effect from 6 April each year.

Frequently Asked Questions

We have set out below answers to some questions that you may have in relation to the introduction of PensionsExchange and how the arrangement will affect you.

1. Why is UCL introducing PensionsExchange?

The USS and SAUL rules have changed to allow additional pension contributions to be made by the employer under a PensionsExchange scheme. Employee pension contributions will be reduced to nil and as a result, the employee's take home pay in most cases will increase. The amount saved depends on the employee's earnings level. The table below provides an indication of the annual NIC savings available to the employee:

SAUL (6%)		USS (6.35%)	
Annual Salary (£)	Annual Employee NIC saving (£)*	Annual Salary (£)	Annual Employee NIC saving (£)*
15,000	84.60	35,000	208.91
20,000	112.80	40,000	238.76
25,000	141.00	45,000	201.82
30,000	169.20	50,000	31.75
35,000	197.40	55,000	34.92

* These savings are based on tax and NIC rates for 2010/11. Individual examples have been provided overleaf.

As you will see from the table above, NIC savings are proportionately lower for higher earners. This is because the rate at which NIC is paid (and therefore saved under PensionsExchange) reduces to 1% for earnings over the NIC Upper Earnings Limit (£43,875 per annum for 2010/11). It is expected that from 2011/2012 this rate will change to 2%, increasing the level of savings for higher earners using PensionsExchange.

Through implementing PensionsExchange UCL will also benefit from paying lower employers' National Insurance Contributions. These savings will be used to enhance the working environment for staff and to meet the rising cost of pension provision which increases each year in line with UCL's salary bill.

2. How does PensionsExchange work?

- Step 1:** From 1 May 2010, you will stop making standard pension contributions from your Basic Salary to the USS or SAUL.
- Step 2:** Instead UCL will make contributions to the USS or SAUL equal to the contributions previously made by you, along with its employer contribution.
- Step 3:** Your Basic Salary will reduce by the amount that you previously paid into the USS or SAUL. Your unreduced salary will be known as your 'Reference salary'.
- Step 4:** Your take home pay will increase because you are paying a lower National Insurance Contribution (NIC). This is as pension contributions that you previously paid were subject to NIC whereas the employer contribution paid by UCL is not.
- Step 5:** The level of benefits from your USS or SAUL pension will not be affected. The salary used in calculating payments such as pay rises, overtime etc will not be affected as this will be based on your reference salary.
- Step 6:** Your full Pensionable Salary will remain unchanged and UCL will quote your 'Reference Salary' for all external purposes, for example when quoting your salary for mortgage applications

Additional Voluntary Contributions ("AVCs") are not currently included in PensionsExchange.

3. How will my salary be affected if I participate in PensionsExchange?

From 1 May 2010 PensionsExchange will operate on the basis that all normal contributions are paid by UCL.

Therefore, with effect from 1 May 2010 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 pay into USS or SAUL. UCL will make an equivalent additional employer contribution to USS or SAUL.

We will use the term 'Reference Salary' to mean your basic salary before taking account of any PensionsExchange Adjustment and the term Adjusted Salary to refer to your basic salary after the PensionsExchange Adjustment.

The following tables illustrate savings achievable to employees using PensionsExchange

USS: Example 1

The example below highlights the before and after position of an employee earning £33,000 per year and contributing £2,095.50 (6.35% of Pensionable Salary) per year into USS. Under PensionsExchange the employee's 'Reference Salary' remains at £33,000 although the Adjusted Salary becomes £30,904.50.

Pre PensionsExchange		Post PensionsExchange	
Basic Salary (£)	£33,000.00	Reference Salary	£33,000.00
Less Pension Contributions	(£2,095.50)	Less PensionsExchange Adjustment	(£2,095.50)
		Adjusted Salary	£30,904.50
Less Income Tax	(£4,885.90)	Less Income Tax	(£4,885.90)
Less NIC	(£2,554.05)	Less NIC	(£2,357.08)
Net Take Home Pay	£23,464.55	Net Take Home Pay	£23,661.52

The employee's net take-home pay has increased by £196.97 per annum from £23,464.55 to £23,661.52 and the total contributions to USS have remained the same.

USS: Example 2

The example below highlights the before and after position of an employee earning £60,000 per year and contributing £3,810 (6.35% of Pensionable Salary) per year into USS. Under PensionsExchange the employee's Reference Salary remains at £60,000 although the Adjusted Salary becomes £56,190.

Pre PensionsExchange		Post PensionsExchange	
Basic Salary (£)	£60,000.00	Reference Salary	£60,000.00
Less Pension Contributions	(£3,810.00)	Less PensionsExchange Adjustment	(£3,810.00)
		Adjusted Salary	£56,190.00
Less Income Tax	(£12,406)	Less Income Tax	(£12,406.00)
Less NIC	(£3,798.91)	Less NIC	(£3,760.81)
Net Take Home Pay	£39,985.09	Net Take Home Pay	£40,023.19

The employee's annual net take-home pay has increased by £38.10 from £39,985.09 to £40,023.19 and the total contributions to USS have remained the same.

SAUL: Example 1

The example below highlights the before and after position of an employee earning £18,000 per year and contributing £1,080 (6% of Pensionable Salary) per year into SAUL. Under PensionsExchange the employee's 'Reference Salary' remains at £18,000 although the Adjusted Salary becomes £16,920.

Pre PensionsExchange		Post PensionsExchange	
Basic Salary (£)	£18,000.00	Reference Salary	£18,000.00
Less Pension Contributions	(£1,080.00)	Less PensionsExchange Adjustment	(£1,080.00)
		Adjusted Salary	£16,920.00
Less Income Tax	(£2,089.00)	Less Income Tax	(£2,089.00)
Less NIC	(£1,144.05)	Less NIC	(£1,042.53)
Net Take Home Pay	£13,686.95	Net Take Home Pay	£13,788.47

The employee's net take-home pay has increased by £101.52 per annum from £13,686.95 to £13,788.47 and the total contributions to SAUL have remained the same.

SAUL: Example 2

The example below highlights the before and after position of an employee earning £33,000 per year and contributing £1,980.00 (6% of Pensionable Salary) per year into SAUL. Under PensionsExchange the employee's 'Reference Salary' remains at £33,000 although the Adjusted Salary becomes £31,020.00.

Pre PensionsExchange		Post PensionsExchange	
Basic Salary (£)	£33,000.00	Reference Salary	£33,000.00
Less Pension Contributions	(£1,980.00)	Less PensionsExchange Adjustment	(£1,980.00)
		Adjusted Salary	£31,020.00
Less Income Tax	(£4,909.00)	Less Income Tax	(£4,909.00)
Less NIC	(£2,554.05)	Less NIC	(£2,367.93)
Net Take Home Pay	£23,556.95	Net Take Home Pay	£23,743.07

The employee's net take-home pay has increased by £186.12 per annum from £23,556.95 to £23,743.07 and the total contributions to SAUL have remained the same.

4. How do I participate in PensionsExchange?

In order to participate in PensionsExchange, UCL will need to make amendments to your current Terms and Conditions of employment (details of these changes are contained at Appendix 1 to this document). It is important that you understand the changes to your basic pay and payment of pension contributions, as you will automatically be included in PensionsExchange. All other terms and conditions of employment remain unaffected.

If you may not benefit from participation as intended you will be contacted separately see question 6 for more details.

5. Will my Pensionable Salary remain the same?

In order to participate in PensionsExchange, UCL will need to make amendments to your current Terms and Conditions of employment (details of these changes are contained at Appendix 1 to this document). It is important that you understand the changes to your basic pay and payment of pension contributions, as you will automatically be included in PensionsExchange. All other terms and conditions of employment remain unaffected.

If you may not benefit from participation as intended you will be contacted separately see question 6 for more details.

6. Who will participate in PensionsExchange?

If you are currently a member of either USS or SAUL, you will be able to participate in PensionsExchange. You will not be able to participate in PensionsExchange however if it would bring your Adjusted Salary to below the National Minimum Wage. The National Minimum Wage is currently £5.80 per hour for somebody over the age of 21. We will monitor pay levels and advise you if you are likely to be affected, however if your circumstances change and you think you might fall into this category you should contact Pension Services.

7. If I agree to participate in PensionsExchange will it affect any other payments?

All future pay rises will continue to be based on your higher 'Reference Salary'. All of your salary related pay and benefits from UCL e.g. overtime will also be calculated on your higher 'Reference Salary'. However Statutory Maternity Pay may be affected (see question [16]).

8. Will participation in PensionsExchange affect my overtime?

Any overtime you may receive will not be affected by your participation in PensionsExchange, the hourly rate for overtime will be calculated on your higher 'Reference Salary' and will therefore remain the same hourly rate as before.

9. Will I still get the same pension at retirement?

Yes. Your pension at retirement is based on your service in USS or SAUL and your Pensionable Salary. Your Pensionable Salary will be based on your higher 'Reference Salary'. Therefore your pension benefits will remain unchanged.

10. What about Death in Service and Spouse's Pension?

These benefits are unchanged and will continue to be based on your Pensionable Salary which is not affected by PensionsExchange. You will be treated as if you had paid contributions to the scheme in full from your salary instead of UCL making additional pension contributions.will remain unchanged.

11. How will PensionsExchange be shown on my payslip?

Your payslip will look slightly different. There will be a Pay Element to show that you are participating in PensionsExchange.

12. Will PensionsExchange affect the amount of tax relief I receive?

No, the amount of tax relief received will not be affected.

However if your income is in excess of £130,000 the tax relief you receive either under PensionsExchange or in relation to your current method of making pension contributions, may be reduced. This is due to new legislation that has been introduced which applies from April 2011. Participation in PensionsExchange will not alter the impact of these changes, and conversely **will not** increase the impact of these changes either.

If your income is above £130,000, as your tax relief may be reduced regardless of your participation in PensionsExchange we recommend you take independent financial advice.

13. Are there any circumstances where it may not be advantageous to participate?

It will not be advantageous for you to participate if any of the following apply to you:

- Your earnings are close to the National Minimum Wage (see question 6).
- Your earnings are close to the Lower Earnings Limit (£5,044 per annum for 2010/11). For this purpose, a UCL pay protection level of £6,000 per annum has been agreed and it would not be advisable for any employee whose earnings are near to this level to participate. The pay protection level will be reviewed annually and adjusted where required.
- If you plan to leave SAUL or USS and get a refund of contributions (see questions 18 to 20).

If UCL thinks either of the first two categories apply to you, we will contact you separately. However, if you believe that you may fall into one of the above categories, please contact Pension Services.

14. I am over the State Pension Age and therefore do not pay NIC. Can I participate in PensionsExchange?

If you are over the State Pension Age (currently age 60 for women and 65 for men) you will not pay NIC on your earnings and as a result you will not benefit from any NIC savings through participating in PensionsExchange. On the basis that you will not be disadvantaged by participating in PensionExchange and by doing so you will help generate savings for UCL, you will automatically be included in PensionsExchange unless you choose to opt out. Reaching state pension age is a "Lifestyle Event" so you have the option to opt-out when you reach state pension age.

15. I pay NIC at the reduced married women's 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 4.85% (rather than 9.4% or 11%) on earnings between £110 to £844 per week for 2009/10 (£5,715 to £43,875 per annum) and 1% on earnings above £844 per week (£43,875 per annum).

You will still make NIC savings from participating in PensionsExchange 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 Pension Services.

16. Will PensionsExchange affect Maternity Pay?

UCL provides occupational maternity pay over and above Statutory Maternity Pay (SMP) for a maximum period of 27 weeks, for eligible employees. Any occupational maternity pay you are eligible to receive will be calculated based on your 'Reference Salary', therefore you will be no worse off. Unless you apply to opt out of PensionsExchange under a lifestyle event (see paragraph 26), you will continue to sacrifice an amount equivalent to 6% (for SAUL) or 6.35% (for USS) of your maternity pay, during any period you are in receipt of occupational maternity pay. Your Adjusted Salary will not be taken below the level of SMP and UCL will make any additional pension contributions to ensure your full contributions are not affected. Exceptionally, where an employee leaves UCL but is entitled to SMP or where 90% of average weekly earnings are lower than SMP amounts an employee may be slightly impacted by participating in PensionsExchange. If this situation applies to you, you can opt out of PensionsExchange. Please contact Pension Services for further information.

The above considerations apply to adoption pay.

17. How will participation in PensionsExchange be shown on my personal payroll and tax documents?

You will see the reduction on your monthly payslip represented as "USS/SAUL - PensionsExchange". Your P60 will reflect your taxable salary i.e. your gross pay minus the PensionsExchange Adjustment (currently it shows gross pay minus normal pension contributions). You must bear this in mind when using your P60 for a financial reference. Financial institutions usually recognise arrangements such as PensionsExchange and understand how this affects salary reporting. UCL will be happy to provide you with a mortgage reference letter to accompany any such request and will advise lenders of the amount of your 'Reference Salary'.

18. What happens to my pension if I leave SAUL, USS or UCL?

If you leave UCL and/or USS or SAUL with two or more years' qualifying service, there will be no change to benefit options of deferred pension or a transfer value to another registered pension arrangement.

If you leave with less than two years' qualifying service you have similar options (a deferred pension or a transfer value) as above. Pension scheme rules normally permit a refund of contributions as an option where the member leaves with less than two years qualifying service, but this will not be possible under PensionsExchange as the amounts exchanged are not member contributions.

If you withdraw from the USS or SAUL within three months of being automatically enrolled into pension scheme membership, membership of PensionsExchange will terminate immediately and your contractual salary will revert to its pre-PensionsExchange value. UCL will ensure that no employee is disadvantaged in these circumstances.

19. What about a refund of member contributions if I have split service (part PensionsExchange/part contributory)?

Upon ceasing employment with less than two years qualifying service you can choose to receive a refund of member contributions (less the statutory deductions), but you must bear in mind that you will not receive a refund of any pension contributions for any period during which you have participated in PensionsExchange (because the pension contributions that have been paid for you by your employer under PensionsExchange are not member contributions). A member leaving SAUL or USS with "split service" should think very carefully before choosing a refund of member contributions, as the value of the return of the member contributions less statutory deductions may be much less than the overall value of the period of pensionable service as a deferred pension and lump sum, or as a transfer value (particularly if there is a likelihood of returning to pensionable employment with UCL or with another pension arrangement).

20. What happens if I work for UCL in another country

Further information for staff working in a UCL overseas campus is available by visiting the UCL Pension Services website.

21. Does PensionsExchange impact on my Tax Credits?

No, participation in PensionsExchange will not impact on any HM Revenue & Customs Tax Credits. Other Salary Sacrifice arrangements such as childcare vouchers should be considered separately

22. What about State pension benefits?

PensionsExchange has no negative impact on your State pension.

23. Will PensionsExchange have any impact on my payments to the Child Support Agency (CSA) / Child Maintenance and Enforcement Commission?

Child maintenance payments to the CSA / Child Maintenance and Enforcement Commission are calculated with reference to your net income i.e. your pay after the deduction of pension contributions, tax and NIC. Under PensionsExchange 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 PensionsExchange you should notify the CSA of the change in your net income. Contact details for the CSA and further details can be obtained from the CSA's website at <http://www.csa.gov.uk>

24. 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 PensionsExchange. This is because your repayments are calculated based on your adjusted salary.

25. Do I have to do anything to participate, e.g. sign any forms?

No. You do not need to take any further action as you will be included automatically in PensionsExchange. We will determine that you have accepted the changes to your Terms and Conditions unless you choose to opt out (see question 25). See question 13 for details of employees that will not be automatically included in the scheme.

26. What if I do not want to participate in PensionsExchange?

You can request an opt-out form from Pension Services which should be completed and returned by the date stated on the opt out form should you choose not to participate.

If you choose to opt out of PensionsExchange you will still be able to participate in USS or SAUL but will not be able to take advantage of the NIC savings resulting in an increase in take home pay which is achievable through participating in PensionsExchange.

27. What if I change my mind or my circumstances change?

If you decide not to participate in PensionsExchange you will need to opt-out by **30 April 2011** and thereafter any subsequent 30 April. All opt outs received will be effective from 1 May. This is, unless you experience a "lifestyle event":

These include the following:

- Birth/adoption of a child
- Notification, commencement of or return from maternity/adoption leave
- Divorce/separation/dissolution of civil partnership
- Death of spouse/partner
- Marriage/civil partnership
- Commencement of or return from long term sickness
- Significant changes in level of pay e.g. move from full-time to part-time
- Material changes in spouse/partner's circumstances (e.g. redundancy)
- Commencement of or return from sabbatical or unpaid leave
- Commencement of or return from an overseas secondment
- Moving from a fixed term contract to a permanent contract
- Reaching State Pension Age.
- Joining or leaving USS or SAUL

In these circumstances you may, subject to the agreement of UCL, opt-out of or into PensionsExchange.

28. How long will the new arrangements last?

It is planned that PensionsExchange will operate indefinitely. However, UCL reserves the right to withdraw PensionsExchange if, for example, tax, National Insurance or pensions law or practice changes, or it is no longer viable for UCL to operate PensionsExchange. You will not have to pay back any of the savings you have made if PensionsExchange is withdrawn in the future.

29. Who can I ask if I have any additional questions?

More information on PensionsExchange is available on the UCL Pension Services website. Please visit <http://www.ucl.ac.uk/hr/pensions>

If you have any additional questions regarding PensionsExchange please contact Pension Services as detailed below:

E-mail: pensions@ucl.ac.uk

Telephone: **0207 679 1622 (41622)**

The information in this guide does not constitute financial advice. If you have any queries of a specific financial nature, please contact an Independent Financial Advisor (IFA). The IFA customer helpline (0800 085 3250) will provide you with details of IFAs in your local area. Alternatively, visit their website www.unbiased.co.uk for further information. You should be aware that IFAs may charge a fee for providing this service.

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APPENDIX 1

UCL CHANGES TO TERMS AND CONDITIONS OF EMPLOYMENT UNDER PensionsExchange

If you are currently in the Universities Superannuation Scheme (USS) or the Superannuation Arrangements of the University of London (SAUL) you will automatically be included in PensionsExchange. This will constitute a change to your current Terms and Conditions of employment (see below). It is important that you understand and agree the changes to your basic salary and payment of pension contributions, as you will automatically be included in PensionsExchange. All other terms and conditions of employment remain unaffected.

If, however, you would prefer to opt out, you must sign and complete in full an opt out form. This is available from Pension Services and must be returned by 30 April 2010. If an opt out form has not been received by this date, you will not be able to opt-out of PensionsExchange until the following 30th April 2011 and thereafter any subsequent 30 April unless you experience a lifestyle event. Opt outs received by 30 April will be effective from 1st May.

Basic Salary:

Your contract of employment with University College London ("UCL") sets out your basic salary and grade. The changes under PensionsExchange mean that your Basic Salary will be reduced with effect from 1 May 2010 by 6.35% (for USS members) or 6% (for SAUL members). UCL will increase its employer pension contribution into the Universities Superannuation Scheme ("USS") or the Superannuation Arrangements of the University of London ("SAUL") by the equivalent amount.

Reference Salary:

Your Reference Salary is your Basic Salary prior to any reduction for PensionsExchange. This will have been notified to you in your original employment contract. Should your rate of pay change as a consequence of a pay review this will be applied to your "Reference Salary".

Pensionable Salary:

Pensionable Salary Pensionable Salary is the sum of your Reference Salary and any other pensionable pay elements (e.g. London Allowance). Your Pensionable Salary and all entitlements to benefits under the USS or SAUL are unaffected by PensionsExchange.

Adjusted Salary:

Adjusted Salary is the sum of your Reference Salary and other pensionable pay elements, reduced by 6.35% (for USS members) or 6% (for SAUL members), plus any non-pensionable payments you may receive. (The latter are unaffected by PensionsExchange.) PAYE and NIC calculations will be made on your Adjusted Salary. These statutory deductions, together with some other statutory and voluntary deductions that may be applicable (e.g. season ticket loan repayments) are deducted from your Adjusted Salary to produce your 'net' take home pay.

Overtime etc.

If you are entitled to additional pay for overtime working, acting up and similar pay supplements, these will continue to be calculated based on your Reference Salary prior to any PensionsExchange Adjustment. Therefore such payments will not be affected by participation in PensionsExchange.

Sick Pay / Maternity Pay / Adoption Pay /Paternity Pay:

In accordance with statutory requirements Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay will be based on your Adjusted Salary; however any enhanced occupational pay you receive will be based on your Reference Salary. The amount of pay you receive while in receipt of occupational pay will not be negatively affected by PensionsExchange and you will continue to Participate in PensionsExchange throughout this period. During periods where you are in receipt of Statutory Sick/Maternity/Paternity/Adoption Pay only, there will be no PensionsExchange Adjustment and UCL will continue to make additional pension contributions.

During periods of unpaid maternity leave you will not have any PensionsExchange Adjustment and no contributions will be made by UCL. When you return to from your unpaid period of leave PensionsExchange will apply as before.

Holiday Pay:

Any holiday pay which you might be entitled to receive on leaving UCL's employment will be based on your Reference Salary.

PensionsExchange:

PensionsExchange is a salary sacrifice arrangement where an employee agrees to reduce their Basic salary and UCL agrees to provide the employee with an additional benefit equivalent to the salary reduction. In the case of PensionsExchange this is additional pension contributions. UCL reserves the right to amend or discontinue PensionsExchange should UCL determine that it is appropriate for it to do so taking into account such matters as it may consider relevant from time to time including changes to UK tax and National Insurance Contributions legislation. If you agree to these terms (i.e. do not opt-out by **30 April 2010**) you will not be able to opt-out of PensionsExchange until 30 April 2011 and thereafter any subsequent 30 April unless you experience a lifestyle event.

These include the following:

- **Birth/adoption of a child**
- **Notification, commencement of or return from maternity leave**
- **Divorce/separation**
- **Death of spouse/partner**
- **Marriage/civil partnership/dissolution of civil partnership**
- **Commencement of or return from long term sickness**
- **Significant changes in level of pay e.g. move from full-time to part-time**
- **Material changes in spouse/partner's circumstances (e.g. redundancy)**
- **Commencement of or return from sabbatical or unpaid leave**
- **Commencement of or return from an overseas secondment**
- **Moving from a fixed term contract to a permanent contract**
- **Reaching state pension age**
- **Joining or leaving USS or SAUL**

On experiencing one of these lifestyle events you can with UCL's consent choose to opt out of or into PensionsExchange



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More information on PensionsExchange is available on the UCL Pension Services website.
Please visit <http://www.ucl.ac.uk/hr/pensions> or E-mail: pensions@ucl.ac.uk

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