

## **Bangor Benefits for Pensions**

### **Frequently Asked Questions**

#### **Introduction**

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These FAQ's explain how Bangor Benefits for Pensions and Salary Exchange work, and aim to answer any questions you may have. Please note that all amounts shown in this booklet are calculated as at April 2016 and may be subject to future changes in line with legislation.

Bangor Benefits for Pensions is a Salary Exchange scheme which changes the way employee pension contributions are made. Salary Exchange schemes are a cost-effective way of making payments and similar arrangements also exist for childcare vouchers, Tir Na Nog Nursery payments, a Cycle to Work Scheme, and the ability to buy additional Annual Leave.

The scheme will form part of your terms and conditions of employment and we have set out below answers to some questions that you may have in relation to the arrangement.

If you have any additional questions please visit the HR web pages on the Intranet, contact the HR department directly on 01248 383865, or the University's Pensions Officer on 01248 383261.

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## The Bangor Benefits for Pensions Scheme

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### 1. How does Bangor Benefits for Pensions work?

You do not make employee pension contributions to the Universities Superannuation Scheme (“USS”). From 1 April 2016, employee contributions are 8% of salary (previously 6.5% for CRB section members and 7.5% for Final Salary section members).

- The University will increase its employer contributions and pay an additional amount equivalent to your current employee pension contribution. The University will pay an employer contribution of 18% (from 1 April 2016). In addition they will pay the equivalent of your employee pension contributions of 8% making a total contribution of 26% to the USS.
- Your Base Salary plus any other Pensionable Allowances will be reduced by the amount that you would have paid into the USS if you had not participated in Bangor Benefits for Pensions.
- In the majority of cases, your take home pay will increase because you are paying less National Insurance Contributions (NIC). This is because employee pension contributions are subject to NIC whereas employer contributions are not. The University will also make NIC savings in the same way.
- The overall level of contributions going into the scheme remain unchanged.
- Additional Voluntary Contributions (“AVCs”) will not form part of Bangor Benefits for Pensions therefore you will continue to pay any AVCs in the same way. However this is subject to change post October 2016 (please see question 7).
- Pay rises, overtime etc. is not affected.
- We will quote your Base Salary and Adjusted Salary for all external purposes, for example when quoting your pay for mortgage applications.
- Your pension and other benefits will be based on your Base Salary.

### 2. Why did the University introduce Bangor Benefits for Pensions?

In the majority of cases, Bangor Benefits for Pensions will increase your take home pay by reducing your NIC – a win-win situation.

The increase in your take home pay under Bangor Benefits for Pensions depends on your Base Salary. The table below provides an indication of the annual NIC savings available to employees currently making contributions of 8% to the USS.

Base Salary (£)	Annual Employee NIC saving (£)*
15,000	144.00
20,000	192.00
25,000	240.00
30,000	288.00
35,000	336.00
40,000	384.00
45,000	232.40
50,000	80.00
55,000	88.00
60,000	96.00

\*These savings are based on NIC rates for 2016/17

NIC savings are smaller for higher earners because the rate at which NIC is paid reduces from 12% to 2% for earnings over the NIC Upper Earnings Limit (£43,000 per annum for 2016/17).

### 3. Am I eligible to participate in Bangor Benefits for Pensions?

As a Member of the USS, you are eligible to participate in Bangor Benefits for Pensions. You will not be able to participate in Bangor Benefits for Pensions if your Adjusted Salary would be brought below the National Minimum Wage, (('NMW') £6.70 per hour from October 2015) or the National Living Wage (('NLW') which applies to those who are 25 and over and stands at £7.20 per hour from April 2016). 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 the HR Department on 01248 383865, or the University's Pensions Officer on 01248 383261.

### 4. How will new employees be treated?

All new employees will be auto-enrolled into USS if they satisfy the auto-enrolment criteria. They will also automatically be opted into Bangor Benefits for Pensions if they are appointed on a fixed hours contract for a duration of three months or more, unless they complete a Bangor Benefits for Pensions opt-out form or we have identified that it is detrimental for them to participate.

### 5. How will this affect my pay?

Under Bangor Benefits for Pensions you do not pay employee pension contributions directly from your salary. Instead, your Base Salary will be reduced by the amount of pension contributions that you would normally pay into the USS. This revised salary is known as your Adjusted Salary. In exchange for this reduction in your salary, the University makes an equivalent additional employer contribution to the USS. This is known as "Bangor Benefits for Pensions".

#### Example 1

The example below highlights the pre and post Bangor Benefits for Pensions position of an employee earning £30,000 per year and contributing £2,400 (being 8% of Base Salary) per year into the USS. Under Bangor Benefits for Pensions the employee's Base Salary remains at £30,000 although the amount they are paid via payroll to take account of the Salary Exchange adjustment becomes £27,600.

Pre Bangor Benefits for Pensions		Post Bangor Benefits for Pensions	
Salary	£30,000	Base Salary	£30,000
Less USS	(£2,400)	Less Bangor Benefits for Pensions	(£2,400)
		Adjusted Salary	£27,600
Less Tax Paid	(£3,320)	Less Tax Paid	(£3,320)
Less Employee NIC	(£2,632.80)	Less Employee NIC	(£2,334.80)
<b>Net Pay</b>	<b>£21,647.20</b>	<b>Net Pay</b>	<b>£21,935.20</b>

The employee's net pay has increased by £288 per annum from £21,647.20.12 to £21,935.20. Total contributions to the USS have remained the same. Calculations are based on 2016/17 income tax and NIC rates.

## Example 2

The example below highlights the pre and post Bangor Benefits for Pensions position of an employee earning £50,000 per year and contributing £4,000 (being 8% of Base Salary) per year into the USS. Under Bangor Benefits for Pensions the employee's Base Salary remains at £50,000 although the amount they are paid via payroll to take account of the Bangor Benefits for Pensions adjustment becomes £46,000.

Pre Bangor Benefits for Pensions		Post Bangor Benefits for Pensions	
Basic Salary	£50,000.00	Base Salary	£50,000.00
Less USS	(£4,000)	Less Bangor Benefits for	(£4,000)
		Adjusted Salary	£46,000
Less Tax Paid	(£7,600)	Less Tax Paid	(£7,600)
Less Employee NIC	(4,333.20)	Less Employee NIC	(£4253.20)
<b>Net Pay</b>	<b>(£34,066.80)</b>	<b>Net Pay</b>	<b>(£34,146.80)</b>

The employee's annual net take-home pay has increased by £80 from £34,066.80 to £34,146.80. Total contributions to the USS have remained the same. Calculations are based on 2016/17 income tax and NIC rates.

## **Contributions to the USS post October 2016**

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### **6. How will my contributions be treated if I earn more than the annual salary threshold?**

A salary threshold will be implemented and revalued each year by the USS (starting at £55,000 per year from 1 October 2016). From this date all members will have access to the defined contribution ('DC') section of the scheme (now termed the USS Investment Builder). Contributions on salary above the salary threshold will be allocated to your individual account within the DC / Investment Builder section in line with the pension scheme rules.

### **7. Can I make AVCs and will these be included under Bangor Benefits for Pensions?**

You can choose to contribute more to your USS pension fund and this will go into your individual DC / Investment Builder account (see question 6). AVCs will be based on all pensionable salary i.e. above and below the £55,000 salary threshold.

If you elect to make the 1% matched contribution available to the DC / Investment Builder Section it will be included automatically under the Bangor Benefits for Pensions arrangement (making your Salary Exchange reduction 9%) However, if that would mean that your pay was reduced below one of the thresholds outlined in question 20, the 1% AVC would instead be made outside of Bangor Benefits for Pensions as a deduction from your salary.

If you decide to make further AVCs, over and above the matched 1%, you will have the option to include these contributions under Bangor Benefits for Pensions (subject to the thresholds outlined in question 20) but you will need to elect to have these included under Pensions Plus. Please note that any further AVCs above the 1% will not attract the additional 1% matched contribution.

## Pay and Conditions

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### **8. What happens if there are several Salary Exchange benefits?**

As at April 2016 the University offers various voluntary staff benefits under the Bangor Benefits heading. This includes childcare vouchers, Tir Na Nog Nursery payments, a Cycle to Work Scheme, and the ability to buy additional Annual Leave. You will be able to participate in all of these voluntary benefits as long as this does not bring your Adjusted Salary to below the thresholds outlined in Question 20).

### **9. If I agree to participate in Bangor Benefits for Pensions, will it affect any other payments?**

All future pay rises will continue to be based on your Base Salary and will therefore not be affected by the participation in Bangor Benefits for Pensions. All of your pay related benefits will also be calculated on your Base Salary.

### **10. If my pay is being reduced how will I be able to check my overtime etc. has been worked out correctly and paid to me?**

Your payslip will show your Base Salary and any other pensionable allowances together with the Bangor Benefits for Pensions reduction labeled "Bangor Benefits - Pensions" which will show as an adjustment to gross pay, rather than as a deduction affecting net pay.

### **11. Will Bangor Benefits for Pensions affect Parental Pay (including maternity, paternity, shared parental or adoption pay)?**

During periods of Parental leave, you will continue to participate in Bangor Benefits for Pensions.

#### *Maternity Pay*

Employees commencing maternity leave are entitled to the following;

- First eight weeks' leave on full salary (this is inclusive of any entitlement to Statutory Maternity Pay payable during the eight week period)
- Next eighteen weeks' leave on half salary plus Statutory Maternity Pay as entitled, paid to the extent that full normal salary is not exceeded
- Next thirteen weeks paid at flat rate Statutory Maternity Pay, as entitled
- Up to thirteen further weeks unpaid

Your Statutory Maternity Pay will be based on your Adjusted Salary, and so the University will 'top-up' your pay to the level you would have received if you had not participated in Bangor Benefits for Pensions, to ensure you are not in a worse off position.

Your Maternity Pay will be based on your Base Salary (before any reductions for Bangor Benefits for Pensions, childcare vouchers or nursery). You will continue to exchange salary based on your Base Salary providing your Adjusted Salary is not brought below the Statutory Maternity Pay level. If your pay would be brought below the required level of statutory pay your Pension Salary Exchange Adjustment will stop. However, the University will continue to make the same level of pension contributions (including those committed to under Bangor Benefits for Pensions) whilst you are on paid periods of such leave.

During periods where you are in receipt of Statutory Maternity Pay only, you will cease to exchange any

salary; however the University will continue to make pension contributions based on your Base Salary prior to Maternity Leave.

During unpaid periods of such leave, all pension contributions will cease until you return to work.

#### *Adoption Leave*

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 department on 01248 383865 for further advice. However, it is the University's intention that you will be no worse off as a result of participating in Bangor Benefits for Pensions.

#### **12. Will taking part affect Statutory Sick Pay (SSP)?**

If you receive Occupational Sick Pay from the University the reduction under Bangor Benefits for Pensions will continue to be applied to your pay, providing you have sufficient non-statutory pay.

If your pay would be brought below the required level of Statutory Sick Pay the reduction under Bangor Benefits for Pensions will stop.

When sick leave is unpaid, all pension contributions will cease until you return to work.

## My Pension

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### **13. Does my Pensionable Salary remain the same?**

Your Pensionable Salary is made up of your Base Salary plus any other contractual amounts allowed by the University (excluding non-contractual overtime). Under Bangor Benefits for Pensions your Pensionable Salary will continue to be based on your Base Salary.

### **14. What happens to my pension if I cease employment with the University and leave the USS?**

If you cease employment with the University and leave the USS with more than two years' service there will be no change. You will have the choice of a deferred pension or a transfer value of your deferred benefits.

For scheme leavers with less than two years' service, if you do not participate in Bangor Benefits you can opt for a refund of your contributions, less appropriate deductions, instead of deferred benefits or a transfer. **The option of a refund is not available for USS members who participate in Bangor Benefits.**

If you leave with less than three months' service you will be entitled to a notional refund of contributions equivalent to the level of Salary Exchange. This will extinguish any right to a deferred pension or a transfer value.

### **15. What about Death in Service and Spouse's Pension?**

These benefits are unchanged and will continue to be based on your Base Salary.

### **16. Will I still get the same USS pension at retirement if I participate in Bangor Benefits for Pensions?**

Yes. Your pension at retirement is based on your service in the USS and your Pensionable Salary. Your Pensionable Salary will be unchanged.

### **17. Will I be affected by changes in the Pensions Annual Allowance?**

The Pension Annual Allowance relates to the total amount of pension savings, from all registered UK pension arrangements that you have in your Pension Input Period (which from April 2016 will be aligned with the tax year).

If total pension savings are greater than the Pension Annual Allowance, you may be subject to a personal tax charge on the excess depending on whether you have any unused relief to carry forward from earlier years.

From April 2016, the Pension Annual Allowance may be tapered if your total earnings (excluding pension contributions but including new pension salary sacrifice arrangements made on or after July 2015) are above £110,000 in the tax year, you may need to consider the impact of this line with your specific circumstances.

Further information about the Pensions Annual Allowance can be found at:  
[www.gov.uk/tax-on-your-private-pension/annual-allowance](http://www.gov.uk/tax-on-your-private-pension/annual-allowance).

Specific factsheet in relation to the USS scheme are as follows:

Final Salary:

<https://www.uss.co.uk/~media/document-libraries/uss/member/pre-factsheets/final-salary/limits-to-tax-relief-and-tax-free-benefits--fs.pdf?la=en>

Career Revalued Benefits:

<https://www.uss.co.uk/~media/document-libraries/uss/member/pre-factsheets/limits-to-tax-relief-and-tax-free-benefits--crb.pdf?la=en>

**18. What if I have taken advantage of the Enhanced opt-out (EOO) and currently pay contributions at 2.5%**

You may have elected to cease accrual of service (e.g. to deal with either Lifetime Allowance or Annual Allowance threshold issues) but have opted to contribute 2.5% of salary to maintain your death in service and incapacity benefits.

From October 2016 you can choose to make contributions to the DC section / Investment Builder (see question 6 and 7) but you will not receive the matched DC contribution from the University. The University will not be permitted to contribute to the DC / Investment Builder section as part of the EOO.

**19. Will Bangor Benefits for Pensions affect the amount of tax relief I receive?**

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

**20. Are there any circumstances where it may not be possible or advantageous to participate?**

As detailed in Question 3 you will not be able to participate in Bangor Benefits for Pensions if your Adjusted Salary were to fall below the NMW or NLW.

In addition, if your earnings were to fall below the NIC Lower Earnings Limit (LEL) this may negatively impact your ability to claim state benefits. To ensure this does not happen a Pay Protection Limit has been set up within payroll. We will not, therefore automatically opt you in to Bangor Benefits for Pensions if your earnings are close to the Pay Protection Limit. If however, you wish to take part in Bangor Benefits for Pensions you will need to complete an opt-in form available from the HR department on 01248 38 3865 or by visiting the HR web pages.

If during the course of the year, your monthly adjusted salary falls below the monthly Pay Protection Limit you will automatically be opted out of Bangor Benefits for Pensions for the remainder of the year. You will be able to reassess your enrolment in Bangor Benefits for Pensions at the following 1 August, or if you experience a Lifestyle Event (see question 21).

If you do not have fixed hours you will not be automatically enrolled into Bangor Benefits for Pensions. If you wish to take part in Bangor Benefits for Pensions then you should contact the HR department on 01248 38 3856 or the University's Pensions Officer on 01248 383261.

**Please note: If you participate in Bangor Benefits for pensions you will not be eligible for a refund of contributions if you then leave the scheme within the first two years of membership.**

**21. What if I change my mind or my circumstances change?**

You will be able to review your participation in Bangor Benefits for Pensions each year on the annual renewal date each year of 1 August. If you experience any unforeseen changes in your personal circumstances then you may be able to opt in/opt out of Bangor Benefits for Pensions (at the discretion of the University).

**22. I am over the State Pension age and therefore do not pay NIC. Can I participate in Bangor Benefits for Pensions?**

If you are over the State Pension age you will not pay NIC on your pay and as a result you will not see any change in your take home pay through participating in Bangor Benefits for Pensions. However, the University is still required to pay employer's NIC on the pay you receive and will therefore make a saving, which will help to reduce its costs and the savings the University makes will be utilised by your department. Based on this, you will be automatically entered into the Bangor Benefits for Pensions arrangement.

**23. 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 5.85% (rather than 12%) on earnings between £155 to £827 per week (£8,060 to £43,000 per annum) and 2% on earnings above £827 per week (£43,000 per annum).

You will still make NIC savings from participating in Bangor Benefits for Pensions but your savings will be based on these rates rather than the amounts referred to elsewhere in this document.

***24. I am under the age of 21. Can I take part?***

Yes. Even though the University is not required to pay NIC on the first £43,000 per annum of earnings of employees under the age of 21 and so will not make any savings. As you are still required to pay employees NIC, you will still make a saving as a result of participating.

***25. I am an apprentice under the age of 25. Can I take part?***

Yes. From April 2016 employers of apprentices under the age of 25 will no longer be required to pay employer's NIC on the first £43,000 per annum of earnings of apprentices, This means that the University will not make any savings under Bangor Benefits for Pensions for such employees but the apprentices themselves do pay NIC and therefore you will make a saving.

## Other Matters

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### ***26. Will Bangor Benefits for Pensions impact on my Tax Credits?***

No, participation in Bangor Benefits for Pensions alone will not impact on any HM Revenue & Customs Tax Credits as they are based on your Adjusted salary

### ***27. Will Bangor Benefits for Pensions have any impact on my payments in relation to Child Maintenance/ to the Child Support Agency (CSA)?***

You may make payments either to the Child Support Agency ("CSA") or in relation to Child Maintenance. Which payments you make will depend on when the arrangement started.

Child Support Agency - Payments to the CSA are calculated on your take home pay after tax and NIC. Due to the savings you make under Pension Salary Sacrifice your net income will increase and therefore your CSA payments may increase slightly as a result. You should notify the CSA of the changes 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](http://www.csa.gov.uk).

Child Maintenance - Payments in relation to Child Maintenance are calculated on taxable income before tax and NIC but after the gross level of personal pension contributions (including any tax relief). Therefore, as your salary is reduced by the gross level of personal pension contributions, this will have no impact on the calculation of payments calculated by the Child Maintenance Service.

### ***28. 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 Bangor Benefits for Pensions. This is because your repayments are calculated based on your gross earnings which will be reduced under Bangor Benefits for Pensions by the Salary Exchange arrangement.

### ***29. What about if I am asking for a reference for a mortgage or a loan?***

We will advise lenders of the amount of your Base Salary, which is your pay before any reduction under Bangor Benefits for Pensions or any other Salary Exchange schemes and your Adjusted Salary, after any reductions for Bangor Benefits for Pensions or other Salary Exchange arrangements. This means that Bangor Benefits for Pensions should not adversely impact on your ability to qualify for a mortgage or other loan.

### **30. What if I do not want to participate in Bangor Benefits for Pensions?**

You can request a Bangor Benefits for Pensions Opt-out form from the HR department on 01248 383865. by visiting the HR web pages.

Opting out of Bangor Benefits for Pensions means that you will continue to participate in the USS 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 Bangor Benefits for Pensions.

### **31. 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 Bangor Benefits for Pensions.

### **32. How long will Bangor Benefits for Pensions last for?**

Bangor Benefits for Pensions will continue to run indefinitely, unless it becomes no longer beneficial for employees or the University, in which case the University reserves the right to take contributions as a deduction from pay. In the meantime, you will have benefited from an increase in your take home pay (in comparison to making contributions as a deduction from pay).

### **33. Who can I ask if I have any additional questions?**

If you have any additional questions please visit the HR web pages on the Intranet, contact the HR department directly on 01248 383865, or the University's Pensions Officer on 01248 383261.