

SalaryMax

a smarter way to pay for your pension



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SalaryMax: a smarter way to pay for your pension

The University has identified a way to increase the take home pay of many staff who are part of the USS pension scheme and at the same time to reduce costs to the University, which would release more money for our educational activities.

The basis of the scheme is that it reduces National Insurance costs on pension contributions. We have called the scheme to achieve this SalaryMax; it is not another pension scheme, but rather is a more effective way of paying contributions into your existing pension scheme.

SalaryMax began on 1 April 2008. As we expect almost all employees to benefit, you'll be automatically included – so you don't need to do anything else to benefit.

But if you decide you don't want to take part you can opt out – you'll need to do this before your first day of work.

This booklet explains how SalaryMax works in more detail, including how to opt out.

"SalaryMax means that almost all employees will see an increase in their take home pay as their National Insurance contributions reduce."

How does it work?





Although the same amount of money will go into the USS on your behalf, it will be paid by Loughborough University. As a result, both you and the University pay less NI.

This is how it works:

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

The University will also benefit from reduced employer's NI contributions. These savings will be used to help the overall development of the University.

Reasons why SalaryMax 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, bonuses and overtime are not affected	
3. Your pension still builds up based on your basic salary before any adjustment for SalaryMax	
4. Life assurance and death benefits are based on your basic salary before any adjustment for SalaryMax	

How much will my take home pay increase by?

The increase in your take home pay depends on your total salary and how much you contribute to National Insurance. This table gives you an idea of the sort of saving you could make. You may be able to use the saving to increase your pension contributions through Additional Voluntary Contributions – or you may just want to see an increase in your take home pay.

Annual pensionable salary	Estimated saving	
	Per month	Per year
£10,000	£4.97	£59.64
£15,000	£7.46	£89.52
£20,000	£9.95	£119.40
£25,000	£12.43	£149.16
£30,000	£14.92	£179.04
£35,000	£17.41	£208.92
£45,000*	£2.38	£28.56
£50,000*	£2.65	£31.80

* The rate of NI reduces from 11% to 1% on income above £43,875 meaning the NI saving is also restricted to 1%.

SalaryMax will not affect any other salary related payments or benefits you receive from the University such as national pay awards, increments and reward review payments. These will be based on your notional salary which is your annual salary before SalaryMax. Your notional salary will also be used in any official personal letters, for example mortgage or status enquiries, loan applications and job references.

Here's an example to show what happens:

Example payslip **without** SalaryMax (USS member earning £25,000 per year)

Date	Payroll Ref.	Name	Month No.
30/04/08	123455678	Mrs Ann N Other	01
Pay Group		Location	
Monthly Salaries		Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code
BACS	522L	ZZ123456Z	D
PAYMENTS		VALUE	DEDUCTIONS
Salary		2,083.33	Tax Paid
			National Insurance
			USS (Pension)
TOTAL PAYMENTS		2,083.33	TOTAL DEDUCTIONS
			597.29
		NET PAYMENTS	
		1,486.04	

Example payslip **after** SalaryMax (USS member earning £25,000 per year)

Date	Payroll Ref.	Name	Month No.
30/04/08	123455678	Mrs Ann N Other	01
Pay Group		Location	
Monthly Salaries		Payroll Contact XXXXXXXX	
Pay Method	Tax Code	NI Number	NI Code
BACS	522L	ZZ123456Z	D
PAYMENTS		VALUE	DEDUCTIONS
Salary		2,083.33	Tax Paid
SalaryMax		-132.29	National Insurance
TOTAL PAYMENTS		1,951.04	TOTAL DEDUCTIONS
			452.57
		NET PAYMENTS	
		1,498.47	

As a result of SalaryMax the employee saves £149.16 per year (£12.43 per month)

Your pensionable salary will be based on your salary before SalaryMax, including any other earnings as may be recognised by the University as pensionable. Your basic state pension will not be affected as entitlement depends on the number years you pay National Insurance contributions rather than the level of those payments.

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 SalaryMax as the University will still make savings on the NI it pays.

Protection Provisions

Although most employees will benefit from SalaryMax, there are some who may not for various reasons. These include:

- Members who earn less than the Lower Earnings Limit for National Insurance, £4,940 for the 2009/10 tax year. 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 Minimum Wage (NMW), there may be staff whose pay could fall below the NMW by participating in any or all parts of SalaryMax. These staff will not be able to reduce their actual earnings below the NMW as it is illegal to do so.

We are introducing a pay protection limit of £6,500 a year to ensure that no employees are worse off under SalaryMax. **If your earnings fall below this limit (£6,500) or the NMW, you would not be able to participate and will be taken out of SalaryMax automatically. You will continue to pay your monthly pension contributions in the usual way.**

- 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 SalaryMax or not.

What do I do next?

If you want to take part in SalaryMax you don't need to do anything.

However, if you want to opt out, please contact Geoff Clay, Payroll and Pensions Manager on ext 2021 for an opt out form. You must complete the form and return it to Geoff Clay before you start work. If you opt out you'll continue paying contributions in the same way as you do currently and will not benefit from any reductions to the NI you pay. There will be an opportunity to opt in from 1 April each year.

Frequently asked questions

Does this affect the pension I will get from USS?

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

Why did the University introduce SalaryMax?

SalaryMax reduces the NI you pay and increases your take home pay. At the same time, it's an efficient way of delivering NI savings to Loughborough University. All savings help contribute to the ongoing growth of the University, which in turn benefits us all.

Is this part of my terms and conditions of employment?

Yes. This is because the University is changing your salary by the amount of pension contributions you currently pay.

Can I opt out of SalaryMax now?

Yes. If you do not want your terms and conditions to be changed in this way, you will need to complete and return an opt-out form before you start work.

How long will SalaryMax last?

There's no end date planned. However, if tax, NI or pensions law changes, or if it's no longer viable for the University to operate this arrangement, Loughborough University reserves the right to alter any aspect of SalaryMax or withdraw it altogether.

If SalaryMax is withdrawn, your pay would be adjusted and you would begin making pension contributions again. However, you wouldn't have to pay back any of the additional take home pay you'd received from the reduction to your NI contributions.

Have the Trustees and the Union been involved?

Yes, the USS Trustees are aware of this arrangement and have agreed standard documents to implement it. In addition the LUCU have been consulted.

Are other Universities doing this?

Many other Universities have already introduced an arrangement like SalaryMax, including Edinburgh, Durham and Bath.

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

There are a number of 'Lifestyle Events' that allow you to opt out or join SalaryMax. For example, if you change your 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 SalaryMax Helpdesk by emailing SalaryMax.helpline@watsonwyatt.com

You'll need to make sure the Payroll Office receives your instructions to either join or opt out of SalaryMax by the penultimate working day in the month to be effective from the following month. For example, if your Lifestyle Event occurs on 15 September and you let the Payroll Office know you want to opt out of SalaryMax by 29 September, the change will be reflected in your October pay.

If I decide to opt out because of a Lifestyle Event, can I opt back in?

You will be able to opt back in, but will only be able to do this by informing us before the next opportunity to change, which will be 1 April each year.

If I have been opted out because my earnings are below the PPL, can I choose to opt back in?

If you have been opted out of SalaryMax it is unlikely that you would benefit from opting back in. If your salary increases over the pay protection limit or your salary has increased and participating in

SalaryMax would not adversely affect you, you will automatically be opted back into SalaryMax the following April. But, if any other personal circumstances change and you feel you may benefit from participating, please contact Geoff Clay ext 2021.

What happens if I have multiple appointments at the University?

If you have more than one appointment with the University, we will use your total pay to see if SalaryMax will benefit you.

Will SalaryMax 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 SalaryMax means that your gross salary will be around £5,500 or less a year on a regular basis, therefore affecting the amount of NI you pay, you'll need to consider whether or not you should take part in SalaryMax. Loughborough University has introduced a pay protection limit to ensure no-one is worse off; therefore anyone with annual earnings below £6,500 will automatically be opted out of SalaryMax.

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

As SalaryMax 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. These statutory benefits are calculated using your salary after the SalaryMax adjustment has been made and this may mean you get paid less Statutory Maternity, Paternity or Adoption Pay.

However in most cases the University's Maternity and Adoption schemes provide for better benefits than the Statutory provisions so your salary will not be reduced.

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

If you go on maternity/adoption leave you'll NOT be automatically opted out if you have the usual entitlement to 18 weeks leave on full pay. After that period you will be opted out until you return to work and have earnings above the PPL.

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

As long as you receive a salary over £6,500 from the University, would not otherwise fall below the NMW, pay NI contributions and are a member of the USS, you will automatically be opted into SalaryMax. If you do not meet one or more of these criteria you will automatically be opted out.

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

SalaryMax will not affect your Basic State Pension.

In addition to the State basic pension, there is also an additional State Second Pension (S2P). All members of Universities Superannuation Scheme are contracted out of S2P and therefore there is no affect on this.

Will AVCs be included in SalaryMax?

No, any monthly AVCs you've chosen to make will be excluded from SalaryMax.

What happens if I leave Loughborough University or the pension scheme?

If you leave the University or decide to leave the pension scheme, and have been a member of the USS for two years or more, SalaryMax will not change anything.

If you leave before completing two years' membership the following will apply:

- 0 - 3 months membership: you'll receive a payment of an amount equivalent to your pension contributions, less tax and NI.
- 3 -24 months: your benefits will be preserved in the USS and you have the option to transfer this to an alternative pension arrangement.



***Issued by the Finance Office
Contact Geoff Clay, Payroll and Pensions Manager on ext 2021
or the SalaryMax Helpdesk, email: SalaryMax.helpdesk@watsonwyatt.com***