



The University of Manchester

PensionChoice

Frequently Asked Questions

October 2021

Introduction

Q1 Why does the University offer PensionChoice?

PensionChoice is a way of paying for your pension by Salary Exchange; this reduces the National Insurance Contributions (NIC) you pay, increasing your take-home pay. At the same time, it's an efficient way of delivering NIC savings to the University of Manchester (the University).

Eligibility

Q2 When can I join PensionChoice?

You will be automatically entered into the appropriate pension scheme (USS or Pension Saver) when you join the University. For USS members the first three months you will pay pension contributions directly from your salary. You will be entered into PensionChoice from the start of your fourth

pay period. For Pension Saver members this will happen from your first pay period.

If you do not wish to participate in PensionChoice after your first three months' service, please complete an Opt-out form which is available from HR Services, the Pensions Office or StaffNet in the PensionChoice section.

This should be returned to the Pensions Office in John Owens building no later than two months after appointment.

Q3 Can I join PensionChoice if my earnings are sometimes too low to pay NIC?

You may participate but we will contact you if your earnings are close to the NIC Lower Earnings Limit (LEL) set by the government each year to obtain your written agreement to join PensionChoice.

Q4 I currently have other Salary Exchanges from my University salary (Childcare Vouchers, Workplace Nursery, Bikes for Work) as well. Will these be affected?

This will depend on your personal circumstances but for most people the answer will be no. Please note that we will check that your earnings, taking into account all your salary exchanges, do not fall below the National Living Wage, the National Minimum Wage or the NIC LEL to ensure that you are not adversely affected. Any similar arrangements in the future will also need to be included.

Q5 What if I am over State Pension Age?

If you have reached State Pension Age, you no longer pay NIC and as a result, will not make any NIC savings by participating in PensionChoice. However, as you will not be adversely affected and the University will still make NIC savings, you will be automatically included in PensionChoice. If you do not want to participate, you will need to opt out by completing the Opt-out form, as mentioned in Q2.

Q6 I pay NIC at the reduced married women's 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%.

You will still make NIC savings from participating in PensionChoice but your savings will be based on this rate rather than the amounts listed in Appendix 1.

Q7 I am under age 21. Can I take part?

Yes. The University is not required to pay NIC on the first £43,000 p.a. of earnings for employees under age 21 and so will not make any savings. However, as you are still required to pay employee's NIC, you will still make savings as a result of participating.

Q8 I am an apprentice under age 25. Can I take part?

Yes. From April 2016 employers of apprentices under age 25 will no longer be required to pay NIC on the first £43,000 p.a. of earnings and so the University will not make any savings. As you are still required to pay employee's NIC, you will still make savings as a result of participating.

Q9 I am going on secondment/have been posted abroad/on sick leave/on academic leave/on unpaid leave – am I eligible for PensionChoice?

As a member of USS or Pension Saver, provided you receive an annual salary from the University which is over the NIC Lower Earnings Limit, your earnings would not fall below the National Living Wage or the National Minimum Wage and you are paying NIC, you will automatically be opted into PensionChoice, as described in Q2.

If you do not meet one or more of these criteria you will automatically be opted out of PensionChoice by the University and revert to paying contributions from your salary. On your return to work or when your earnings exceed the NIC LEL you will be opted back in to PensionChoice and will be able to make good any outstanding contributions.

Opting in/out

Q10 Can I opt out of PensionChoice?

If you already participate in PensionChoice and wish to opt out, you can do so by completing an Opt-out form which is available from HR Services, the Pensions Office or StaffNet in the PensionChoice section.

You will be able to review your participation in PensionChoice at the University's discretion.

Q11 Can I opt into PensionChoice?

You will be able to opt in to PensionChoice by completing an Opt-in form which is available from HR Services, the Pensions Office or StaffNet in the PensionChoice section.

You will be able to review your participation in PensionChoice at the University's discretion.

Terms and Conditions

Q12 Why does entering into PensionChoice mean that my terms and conditions of employment will change?

To benefit from the reduction in NIC, it is necessary to reduce your contractual gross salary, 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 salary or benefits.

Q13 Do I need to sign a new contract?

No. You will be deemed to have accepted the new terms and conditions of employment (please see Appendix 2) unless you complete a PensionChoice Opt-out form and your existing contract will be varied to this effect.

Personal savings

Q14 How much will I save?

This will vary depending on your salary. Please see Appendix 1 and the modeller on StaffNet in the PensionChoice section.

Q15 Why are savings different for different rates of salary?

The savings you make will depend on your actual contributions to your pension scheme and the NIC rate applicable to you. Examples of savings are provided in Appendix 1. You can find out your personal saving by entering your salary and pension scheme into the modeller on StaffNet.

Q16 Will I be affected by the changes in the Annual Allowance (AA)?

The AA relates to the total amount of pension savings from all registered UK pension arrangements that you have in your Pension Input Period (which since April 2016 has been aligned with the tax year).

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

Since April 2021, the AA may be tapered if your total earnings are above £40,000 in the tax year. You may need to consider the impact of this in line with your specific circumstances.

Further information about the AA can be found at: <https://www.gov.uk/tax-on-your-private-pension>

Q17 What if I am a member of USS and have taken advantage of the Enhanced Opt-out and currently pay a premium of 2.5%?

You may have elected to cease accrual of service (e.g. to deal with either Lifetime Allowance (LTA) or Annual Allowance (AA) threshold issues) but have opted to pay a premium of 2.5% of your salary to maintain your death in service and incapacity benefits. This premium will continue to be made under PensionChoice.

From October 2016 you can choose to make additional contributions to the Investment Builder section (see Q27 and Q28). Although

you will need to ensure that any additional contributions do not breach the conditions for any Lifetime Allowance Protection you have in place.

Q18 What will my payslip on MyView look like?

Your payslip will continue to show your basic salary and any other allowances. The amount of the PensionChoice adjustment will be shown on the left hand side of the slip together with any other salary exchanges.

State and statutory benefits

Q19 Will PensionChoice affect any state benefits I may be eligible for in the future?

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

If the introduction of PensionChoice means your regular annual earnings will be around £9,500 or less a year (based on 2021/2022 tax year), this will affect the NIC you pay.

Therefore, you'll need to consider whether or not you should take part in PensionChoice.

The University has introduced a threshold of the NIC Lower Earnings Limit to ensure no-one is worse off. This means that if your annual earnings are below £9,500 (for the 2021/2022 tax year) you may join only by providing your

written agreement. The threshold 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.

Q20 Will PensionChoice affect my Maternity Pay?

During periods of Maternity Pay you will continue to participate in PensionChoice. If you are unable to participate, the University will take all necessary steps to maintain your pension contributions.

Should you be entitled to receive occupational maternity pay, this will be calculated based on your Reference Pay (before any reductions for PensionChoice or other salary exchange arrangements). You may continue to exchange salary providing your Adjusted Pay is not brought below the Statutory Maternity Pay ('SMP') level. If your pay would be brought below SMP,

PensionChoice will cease and instead the University will continue to make the same level of pension contributions whilst you are on paid periods of such leave.

During periods when you are in receipt of SMP only, you will cease to exchange any salary; however the University will continue to fund your pension membership based on your pensionable salary prior to Maternity Leave.

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

If your earnings are above the NIC LEL (currently £9,500 for the 2021/2022 tax year) when you return to work, you will be included

in PensionChoice (unless you decide to opt out). If you are below this limit, you will be automatically opted out of PensionChoice.

Q21 Will PensionChoice impact on my Tax Credits?

No, participation in PensionChoice will not impact on any HMRC Tax Credits as they are calculated based on your Adjusted Pay.

Q22 Will PensionChoice have any impact on my payments in relation to Child Maintenance/to the Child Support Agency (CSA)?

You may make payments either to the CSA or in relation to Child Maintenance. Whichever 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 PensionChoice, 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. To find out more visit: www.gov.uk/child-maintenance

Child Maintenance - payments in relation to Child Maintenance are calculated on taxable income before tax and NIC but after gross member contributions. Therefore, as your salary is reduced by the gross member contributions, this will have no impact on the value of payments calculated by the Child Maintenance Service.

If you make Child Maintenance payments you may wish to take independent advice on this. Similarly you may wish to consider the impact it may have on the child benefit payments to which you may be entitled.

Pension scheme benefits

Q23 Have the Trustees given their consent to PensionChoice?

Yes, the Trustees of USS, UMSS and Pension Saver are aware of this arrangement and have agreed to the implementation of PensionChoice provided that all the correct procedures to introduce this have been completed by the University.

Q24 Are Additional Voluntary Contributions (AVCs) and additional contributions included in PensionChoice?

UMSS rules permit payment of AVCs by PensionChoice.

Q25 What happens if I leave the University or USS, UMSS or Pension Saver?

If you leave the University, or decide to leave USS or UMSS with two or more years' qualifying service, PensionChoice will not change your benefit options of deferred benefits or a transfer value to another registered pension arrangement.

Pension scheme rules normally permit a refund of contributions as an option where a member leaves with less than two years' qualifying service. However, this will not be possible

under PensionChoice as the amounts exchanged are not member contributions.

In USS, with less than two years' qualifying service, you will be able to choose between deferred benefits and a transfer value. If you consider that you may leave within two years and want a refund, you should opt out of PensionChoice.

In UMSS, with less than two years' qualifying service, you will be offered a transfer value. If you do not have a pension arrangement that can accept a transfer, an ex gratia payment equal to the amount you would have paid had you not participated in PensionChoice will be paid to you.

Refunds are not possible for Pension Saver members as all contributions are made via PensionChoice.

For further information, please visit: www.uss.co.uk or www.umss.co.uk

Q26 How long will PensionChoice last?

The University has received approval from HMRC for this scheme and plans to operate it indefinitely. However, if tax, NIC or pension legislation is changed or if it is no longer viable for the University, we reserve the right to withdraw PensionChoice; you would begin making pension contributions again from your pensionable salary. If PensionChoice is withdrawn in the future, you will not have to pay back any of the savings you have made.

We also reserve the right to make changes to PensionChoice from time to time. You will be notified of any changes accordingly.

Contributions to USS from October 2016

Q27 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 USS (starting at £59,883 pa for the 2021/2022 tax year.). From this date all members will have access to the Investment Builder section of the scheme. Contributions on salary above the salary threshold will be allocated to your individual account within the Investment Builder section in line with USS rules.

Q28 Can I make Additional Voluntary Contributions (AVCs) and will these be included under PensionChoice?

If you have a final salary added years AVC arrangement in place, or a Career Revalued Benefits AVC arrangement (on a defined benefit basis) in place agreed prior to 1 April 2016, this will continue and **will not** be included under PensionChoice.

From 1 October 2016, you can choose to contribute more to USS in the Investment Builder section. Any additional contributions elections on a percentage basis will be based on all Pensionable Salary (i.e. above and below the £59,883 salary threshold for the 2021/2022 tax year).

If you decide to make additional contributions, you will have the option to include these contributions under PensionChoice (subject to National Minimum Wage legislation and pay not being reduced below the NIC LEL) but you will need to elect to have these included under PensionChoice.

To pay additional contributions, you will need to register on My USS. You can access My USS from the home page of: www.uss.co.uk

Appendix 1

Examples of salary savings for the 2021/2022 tax year based on contribution rates to UMSS of 6.5% and to USS of 9.8%. Please refer to the Pension Choice Modeller on StaffNet.

Grade	Salary	Pension scheme	Rate	Employee annual saving by being in PensionChoice
1	£16,357	UMSS	6.5%	£128
2	£19,828	UMSS	6.5%	£155
3	£21,605	UMSS	6.5%	£169
4	£26,537	UMSS	6.5%	£207
5	£29,847	UMSS	6.5%	£233
5	£29,847	USS	9.8%	£351
6	£37,768	USS	9.8%	£444
7	£47,801	USS	9.8%	£562
8	£58,754	USS	9.8%	£1115

Appendix 2

Changes to Terms and Conditions of Employment:

The statement of terms and conditions set out in your contract of employment with the University sets out the salary scale for your annual salary and the salary scale for your grade.

The changes under PensionChoice will mean that your annual salary, excluding other non-pensionable allowances and overtime, will be reduced by 9.8% or a greater amount if you pay additional contributions if you are a member of the Universities Superannuation Scheme (USS) or 6.5% or a greater amount if you pay AVCs if you are a member of the University of Manchester Superannuation Scheme (UMSS). In return, an additional

equivalent amount will be paid by the University as an employer pension contribution into USS, UMSS or Pension Saver as appropriate.

Adjusted Pay:

This is your salary after the adjustment for PensionChoice (as referred to above, this amount will be your annual salary reduced by 9.8%, or a greater amount if you pay additional contributions if you are a member of USS or 6.5% or a greater amount if you pay AVCs if you are a member of UMSS).

Your Adjusted Pay is the sum of your Reference Pay reduced by PensionChoice and any other Salary Exchanges that you have entered into.

Holiday Pay:

Any holiday pay on leaving (whether owed by you or the University) will be based on your Reference Pay.

Other payments and allowances not included elsewhere:

All other payments and allowances payable by the University that are pay-related will also be based on your Reference Pay.

Overtime:

Overtime will continue to be calculated by reference to your Reference Pay.

PensionChoice:

The University reserves the right to amend or discontinue PensionChoice should the

University determine that it is appropriate for it to do so, taking into account such matters as it may determine relevant from time to time including changes to UK tax, pensions and NIC legislation.

Reference Pay:

This is your salary before the adjustment for PensionChoice.

Reviews of Pay:

Reviews of pay will continue to be undertaken in line with your existing terms and conditions of employment with the University. Should your rate of pay change as a consequence of such a review, you will be advised of your revised rate of Reference Pay and Adjusted Pay.

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

In accordance with statutory requirements Statutory Sick Pay, Statutory Maternity Pay and Statutory Paternity Pay will be calculated by reference to your Adjusted Pay. University enhanced maternity, paternity and sick pay will continue to be based on your total Reference Pay. Provided you continue to participate in PensionChoice, you will exchange an amount equivalent to 9.8% for USS or a greater amount if you pay additional contributions or 6.5% or a greater amount if you pay AVCs for UMSS of Reference Pay during periods of enhanced leave, provided that this does not reduce your Adjusted Pay below the statutory amount.

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