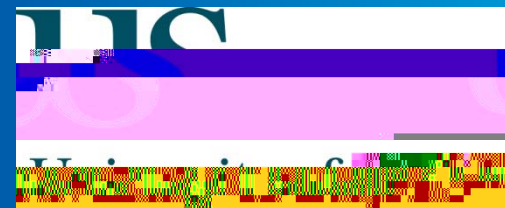
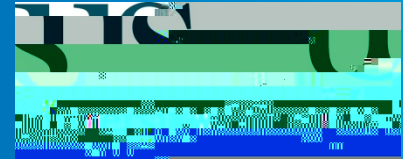


Salary Exchange



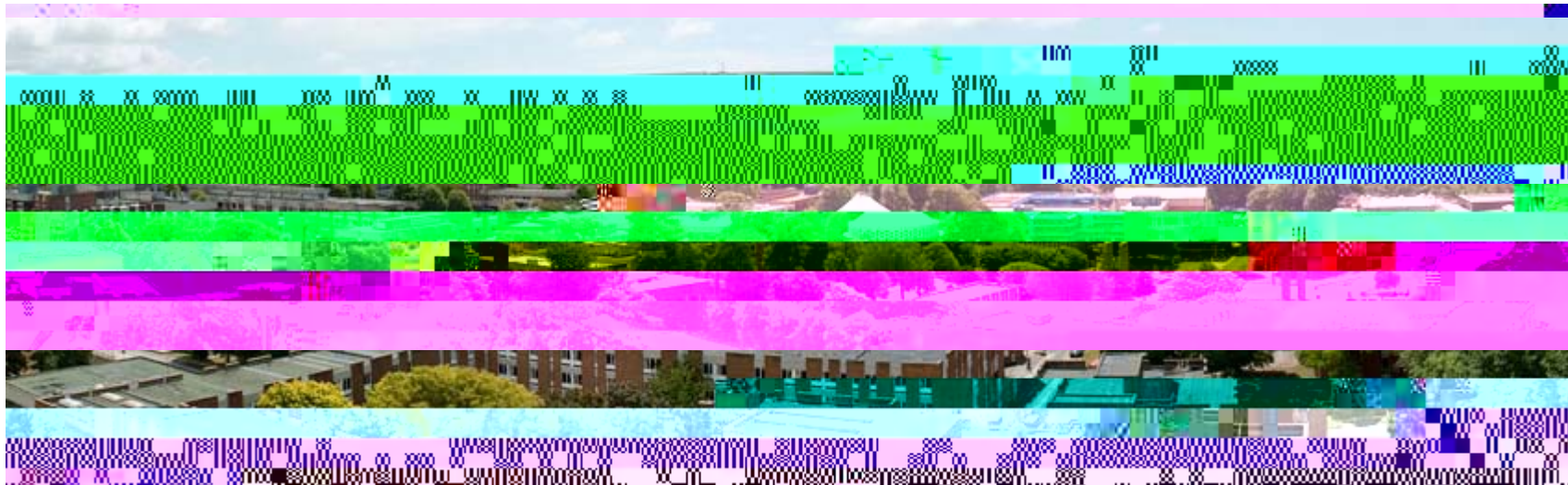
September 2011

Introduction

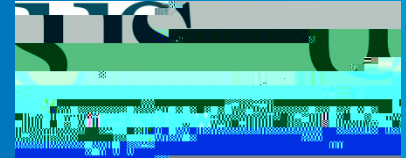


Presenters:

Chris Marlin	Pro-Vice-Chancellor (International)
Jane Summerville	Director of Human Resources
Mick Verney	KPMG LLP
Jay Lad	KPMG LLP



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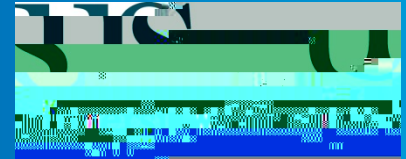
Statutory payments

How this works in reality (practical aspects)

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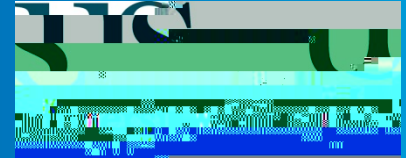
Questions?

What is Salary Sacrifice?



A Salary Sacrifice occurs when an employee gives

Salary Exchange – Have I received some information?

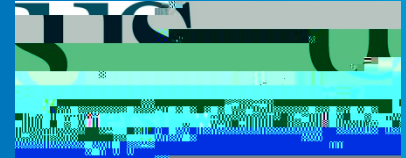


You should have received the following:

- A letter introducing Salary Exchange

- Frequently Asked Questions regarding Salary Exchange

How does Salary Exchange work?



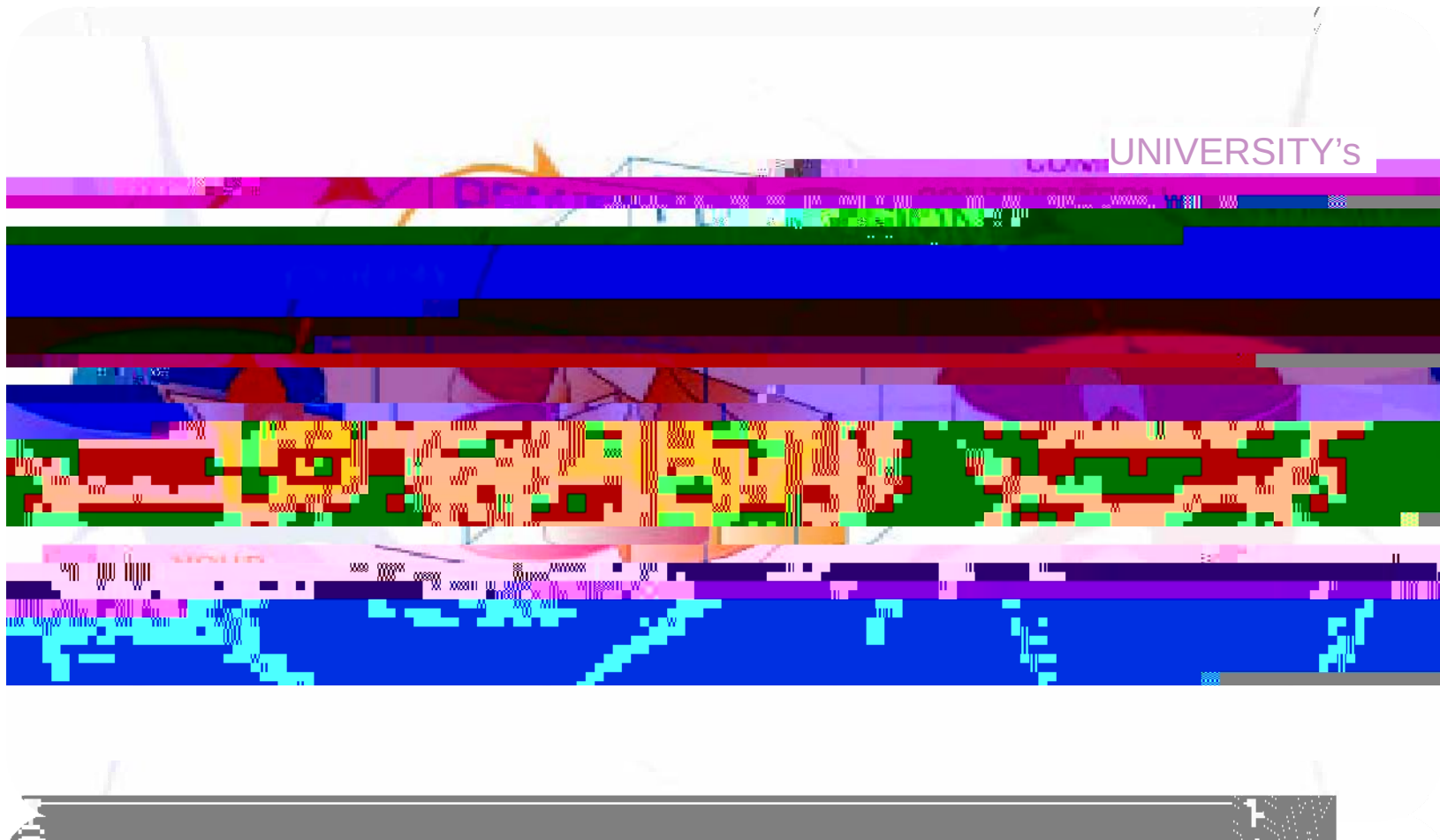
Currently, employee contributions to registered pension schemes qualify for income tax relief but not National Insurance (NI) relief.

Salary Exchange enables NI savings to be made by restructuring the employees' pension contributions, effectively this provides NI relief for pension contributions.

Salary Exchange varies the terms and conditions of employment by reducing the contractual salary by the amount of the employees contributions.

Salary Exchange does not:

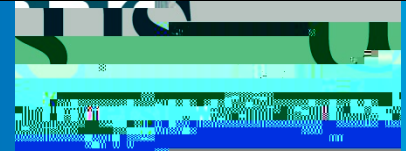
Position now



Position from 1 November 2011



How does Salary Exchange work?



The Change

Employees cease making regular pension contributions

Contractual gross pay reduces by an equal amount

The University will make additional pension contributions equal to contributions that employees would otherwise have made



Salary Exchange example – USS and USPAS



Employee:	John Smith			Period:	Month 8
Tax code:	747L month 1	NI No.	AB123446A	Date:	30 November 2011
Description:	Hours:	Rate:	Amount:	Description:	Amount:
PAYMENT				DEDUCTIONS	
Basic pay			2,000.00	Pension deduction	100.00
				Income tax	255.40
				Employee NI	142.83
				Total deductions	498.23
				Net pay:	1501.77

Description:	Amount:
Taxable gross	1,900.00

Employers NI 137.06

Salary Exchange example – USS and USPAS



Employee:	John Smith			Period:	Month 8
Tax code:	747L month 1	NI no.:	AB123446A	Date:	30 November 2011
Description:	Hours:	Rate:	Amount:	Description:	Amount:
PAYMENT				DEDUCTIONS	
Notional Pay			2,000.00	Income Tax	255.40
Salary Exchange			-100.00	Employee NI	132.43
				Total deductions	387.83
				Net pay:	1,512.17

Description:	Amount:
Taxable gross	1,900.00

Increase to take home 10.40

Employers NI 126.96

Salary Exchange example – SGSS



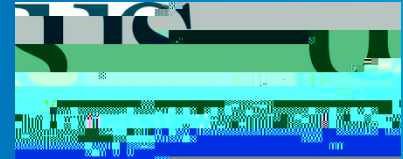
Employee:	John Smith			Period:	Month 8
Tax code:	747L	NI no.:	AB123446A	Date:	30 November 2011
Description:	Hours:	Rate:	Amount:	Description:	Amount:
PAYMENT				DEDUCTIONS	
Notional Pay			2,000.00	Income Tax	255.40
Salary Exchange			-100.00	Employee NI	155.76
				Total deductions	411.16
				Net pay:	1,488.84

Description:	Amount:
Taxable gross	1,900.00

Increase to take home 12.00

Employers NI 180.92

Benefits to the Individual



Employees participating in Salary Exchange arrangements will pay less National Insurance (NI) and will receive more take home pay.

Savings will be larger for earners being paid below the Upper Earnings Limit (£42,475 from 6 April 2011) due to the higher NI rates applicable below this limit.

Benefits to the University

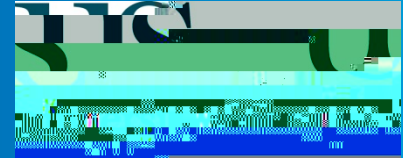


The University will also benefit from paying lower NI

Between 10.1% and 13.8% for employees earning above £7,072

The actual level of savings will depend on the number of employees participating in the Salary Exchange

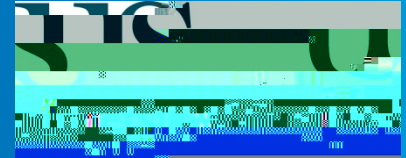
Some key messages



Many large organisations have implemented, including USS, some Trade Unions and many Universities

Saves £000's without employees loss

Considerations



National Insurance Contributions will be saved by both the employees in the pension scheme and the University

Those earning near to NMW will not be suitable for Salary Exchange as it is not possible to sacrifice pay below this level

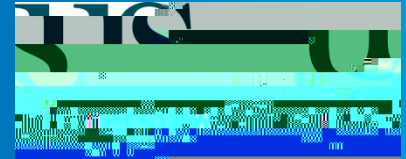
Those employees close to retirement age should take independent financial advice

Those over state retirement age who do not have to pay NIC will not receive any NIC savings from the arrangement

If employees choose not to join Salary Exchange they can opt out, but they will not then enjoy the NIC savings available

S2P may be slightly reduced by Salary Exchange

Statutory Payments



Statutory payments as listed below are linked to actual pay i.e. the lower amount after the Salary Exchange.

Statutory Sick Pay

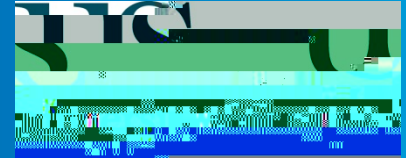
Statutory Maternity Pay

Statutory Paternity Pay

Statutory Adoption pay

Statutory Redundancy Pay

How does this affect statutory payments ?



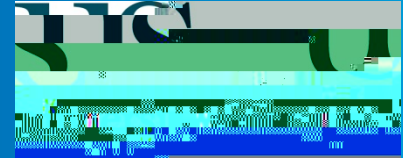
As stated on the previous slide statutory payments are based on actual pay

Basic state pension benefit will not be affected by the implementation of Salary Exchange

Entitlement to the State Second Pension (pension top-up, S2P) may be affected by the introduction of Salary Exchange

Due to state benefits being calculated on actual pay, Working Tax Credit and Child Tax Credit may increase

How this works in reality (practical aspects)



Total pension contributions and benefits remain unchanged

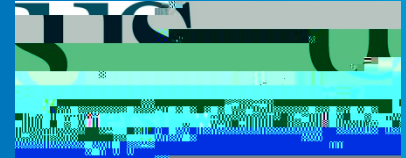
The same funds are delivered to the employee's pension fund

Any letters to mortgage providers will state employee's notional salary

This is a change to terms and conditions

Everybody should win and save NIC

What happens now?



Communication to employees

Information and covering letter have been issued to eligible University employees

Those automatically opted out will be advised separately

Those employees who wish to opt out will have 5 weeks to complete and sign a form which will need to be returned to Helen Kalkbrenner, HR Department

This form needs to be submitted by 30 September 2011 otherwise employees are automatically opted in

After this period has elapsed employees will be able to opt out if a life style changing event has occurred

Thank you



