

# *Payflex+*

## FREQUENTLY ASKED QUESTIONS

For members of **USS**

Revised October 2020

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## TERMS AND ABBREVIATIONS USED IN THIS DOCUMENT

This document uses some terms and abbreviations, some of which apply specifically to the scheme and others whose meaning may not be understood or immediately obvious.

<b>SALARY EXCHANGE</b>	An arrangement where you agree to a contractual reduction in your pay in exchange for a University contribution to your pension scheme. You will receive any savings from the reduced amount of NIC you will pay on your Adjusted Pay.
<b>ADJUSTED PAY</b>	Your pay after Salary Exchange.
<b>BASE PAY</b>	Your Basic Pay before Salary Exchange,
<b>PENSIONABLE PAY</b>	Defined by the USS pension scheme rules and calculated on your Base Pay, including any other earnings as may be recognised by the University and the USS as pensionable
<b>NIC</b>	National Insurance Contributions

## A ABOUT **Payflex+**

### 1 Do I have to do anything to take part, e.g. sign any forms?

No. You do not need to take any further action as members who we believe are no worse off will be included automatically in **Payflex+**.

### 2 How long will the arrangements last for?

**Payflex+** will continue to run indefinitely. You will have the opportunity to review your participation in **Payflex+** on 1 April each year.

If tax and NI or pension law is changed or **Payflex+** is no longer beneficial, the University reserves the right to revert you to the method of making contributions to the USS. In the meantime you will have benefited from an increase in your take home pay.

### 3 If I participate in **Payflex+**, will it affect future pay increases or any other payments?

No. All future pay rises, including national pay awards, will continue to be based on your Base Pay, i.e. pre-exchange pay. Similarly, all pay components which are currently derived from basic pay, such as overtime and shift allowance, will continue to be calculated on your Base Pay.

### 4 What happens if I also take part in other benefits offered through Salary Exchange (e.g. childcare vouchers or Keele nursery places)?

You will be able to participate in all Salary Exchange benefits, so long as your lower Adjusted Pay remains above the Statutory Levels for National Minimum Wage or National Living Wage ("NMW" and "NLW") and/or the Pay Protection Limit (see Questions **A7** and **A8**).

If your lower Adjusted Pay would fall below either of these limits because of the introduction of **Payflex+** then you will continue to benefit from your existing Salary Exchange scheme(s) and will not take part in **Payflex+**. This is because it is generally more beneficial for you to continue to participate in the other Salary Exchange schemes due to the additional income tax savings.

### 5 What happens if I have more than one job at the University?

If you have more than one USS eligible position at the University, your total USS Pensionable Pay will be taken into account when calculating the reduction under **Payflex+**. If you opt out of **Payflex+**, you will be opted out for all your eligible posts at the University.

### 6 I am over the State Pension age and therefore do not pay NIC. Will I take part?

If you are over the applicable State Pension age you will not pay NIC and, as a result, you will not see any change in your take home pay. However, the University will make a saving which provides investment in the University for the future. Due to this you will be automatically entered into **Payflex+**.

### 7 I earn close to the National Minimum Wage/ National Living Wage (NMW/NLW). Can I take part?

You will not be able to participate in **Payflex+** if your lower Adjusted Pay would be brought below the statutory levels for NMW or NLW. If you fall into this category you will not be opted into **Payflex+**. If you think your circumstances may change and you think you might fall into this category you should contact HR.

We will regularly monitor pay levels and if at any point you fall below the NMW you will also be opted out of **Payflex+** and will revert to making pension contributions from your pay. At each 1 April your situation will be reviewed and if your Adjusted Pay has increased above the NMW threshold you will be automatically opted back into **Payflex+**.

8 My earnings are below the Pay Protection Limit. Can I take part?

It is important to ensure that your lower Adjusted Pay (after the **Payflex+** adjustment has been applied) is above what is known as the Pay Protection Limit for NIC purposes so that your right to certain state benefits is protected. The Pay Protection Limit is £9,500 for the tax year 2020/21. Therefore, we will not automatically opt you in to **Payflex+** if your lower Adjusted Pay would fall below the Pay Protection Limit. If you fall into this category you will not be opted into **Payflex+** and will be notified of this separately. If however, you still wish to take part in **Payflex+** you can do so by completing an opt-in form available from HR.

9 If my salary is being reduced how will I be able to check that my overtime/shift allowance etc has been worked out correctly and paid to me?

Your Base Pay, before any Salary Exchange will remain on your payslip for reference. Payments such as overtime and shift allowances will continue to be based on this figure.

10 I am a member of a pension scheme other than USS. Can I participate in **Payflex+**?

No. **Payflex+** can only be offered to staff who are members of USS. It is not possible to operate **Payflex+** for members of other pension schemes (e.g. Staffordshire County Council Local Government or NHS pension schemes).

11 What if I do not want to take part?

If you are eligible to participate in **Payflex+** you will be automatically included in the scheme so you are able to benefit from any NIC savings from the outset. If, for any reason, you do not want to take part you can request an opt-out form from HR, which should be completed and returned to HR prior to commencement of your appointment.

If you do choose to opt out of **Payflex+** you will still be able to participate in the USS. However, you will not be able to take advantage of the NIC savings achievable through participating in **Payflex+**.

## **B CHANGES TO YOUR PERSONAL CIRCUMSTANCES**

1 What if my circumstances change?

Ordinarily, you will be able to review and change your participation in **Payflex+** annually on 1 April. However, there are a number of 'Lifestyle Events' that allow you to opt out of or into **Payflex+**. These include pregnancy, adoption, going on or returning from unpaid leave, pay being materially reduced or increased etc. A full list of Lifestyle Events is included in Annex A.

In these cases, and subject to the agreement of the University, you may opt in to or out of **Payflex+** at a time other than the usual 1 April. Should you wish to do so, please contact HR no later than one month in advance of the effective date.

2 Will **Payflex+** leave me worse off if I am on long term unpaid leave (for example unpaid sick leave)?

No, you will not be any worse off. You will be opted into **Payflex+** and, providing your earnings on return are above the Earnings Threshold and NMW/NLW, the salary exchange under **Payflex+** will begin. If, however, on your return your earnings are below either of these limits, you will be automatically opted-out of **Payflex+** (see **A7** and **A8**).

3 Will taking part affect payments such as pay awards and overtime?

No. All future pay awards and pay-related benefits offered by the University will continue to be based on your higher Base Pay (which is your pay prior to any Salary Exchange). As such **Payflex+** has been introduced in a way which means you will be no worse off from participating.

4 Will taking part affect maternity/adoption/paternity pay?

Calculating maternity/adoption/paternity pay is complex. **Payflex+** does affect the calculation of statutory pay and the amount that the University can reclaim from the Government, but the University will ensure that the amount you receive will not be less than the amount you would have received had you not participated in **Payflex+**.

If you think you may take maternity/adoption/paternity leave in the near future and would like more information then please contact your Human Resources Link Advisor.

5 I am/have been on Maternity/ Shared Parental/ Adoption leave – can I take part in **Payflex+**?

Yes. You will be opted into **Payflex+** and the University will continue to maintain the level of USS contributions as detailed in the relevant Policy. Providing your earnings on return are above the Earnings Threshold and National Minimum Wage you will continue to be included in **Payflex+**. If, however, on your return your earnings are below either of these limits, you will be automatically opted-out of **Payflex+** (see **A7** and **A8**)

6 What happens if I cease employment with the University?

If you leave the University's employment, your participation in **Payflex+** will come to an end automatically. Contributions to USS will also come to an end and you will become entitled to the appropriate pension scheme benefits, as described in question **C5**.

## C PENSION-RELATED QUESTIONS

1 I make Additional Voluntary Contributions (AVCs) to the USS. Will these also be included in **Payflex+**?

AVCs are not included in this scheme.

2 Will I still get the same USS pension at retirement?

Yes. Your pension benefits will be unchanged. Your pension at retirement is based on your years of service in USS and your Pensionable Salary. Pensionable Salary will still be calculated on your base pay (i.e. pre-salary exchange) and therefore, is not affected by the introduction of **Payflex+**.

3 What about Death in Service lump sum and benefits?

Your death benefits will continue to be based on your Pensionable Salary and will not be affected by participating in **Payflex+**. More information can be found on the USS website [here](#).

4 What is the impact of **Payflex+** on a dependant's pension?

**Payflex+** has no impact on a dependant's pension.

5 What happens if I leave the USS?

The impact of leaving the USS depends of the length of pensionable service. Please see Annex A for details.

6 What if the rate of member pension contributions changes in the future?

Your **Payflex+** adjustment will reflect any changes to the standard rates of member pension contributions, i.e. your pay will be reduced by an amount equivalent to the contribution rate applicable at that time.

## D TAX AND NIC-RELATED QUESTIONS

1 Will taking part change the amount of income tax I pay or the tax relief I receive?

No. Before **Payflex+**, pension contributions were taken from your salary before tax so you did not pay any tax on them. Being in **Payflex+** will mean that you still only pay tax on your salary after an amount equal to your pension contributions has been taken.

2 Will my savings increase if NIC rates are increased in the future?

Yes. As the savings are based on the rate at which you pay NIC, if the rates increase in the future, then so will your savings.

## E QUESTIONS RELATING TO OTHER STATE BENEFITS, LOANS AND MORTGAGES

1 Will taking part affect a reference for a mortgage or a loan?

No. We will advise lenders of the amount of your higher Base Pay, which is your pay before any adjustment under **Payflex+** or any other Salary Exchange arrangements.

2 Will taking part have any impact on my payments of Child Maintenance?

Payments are calculated on your take home pay after tax and NIC. Due to the savings you make under **Payflex+** your net income increases and therefore your child maintenance payments may increase as a result. You should notify the Child Maintenance Service of the change in your net income immediately. Further details can be found at <https://www.gov.uk/manage-child-maintenance-case>

3 Will taking part have any impact on my tax credits?

**Payflex+** will have no negative effect on your tax credits as these are based on your lower Adjusted Pay. However other Salary Exchange arrangements should be considered separately. Further information can be obtained from <https://www.gov.uk/browse/benefits/tax-credits>

4 Will my student loan repayments be affected?

Your student loan repayments may be reduced slightly as a result of participating in **Payflex+**. This is because your repayments are calculated based on your lower Adjusted Pay i.e. after your pay has been reduced.

5 Will taking part affect my State Pension at retirement?

No. **Payflex+** will not affect your state retirement pension.

## F ...AND FINALLY

If you have any additional questions please contact your Human Resources Advisor.

**Additionally**

Independent information on pensions is available at Information on pensions and retirement - [www.gov.uk/plan-retirement-income](http://www.gov.uk/plan-retirement-income)

<https://www.moneyandpensionservice.org.uk/>

Alternatively, advice can also be obtained from your local independent financial advisor. Contact the Financial Conduct Authority on <https://www.fca.org.uk/> for details of approved financial advisors.

**ANNEX A**

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## WHAT HAPPENS IF I LEAVE THE USS?

If you leave USS for whatever reason, your participation in Salary Exchange will come to an end automatically. Contributions to USS will also come to an end and you will become entitled to the appropriate pension scheme benefits as set out below.

If you transfer to another employer participating in USS, you will be able to continue your membership of USS. Whether or not you can take advantage of the NIC savings offered by Salary Exchange will depend on whether your new employer operates a similar salary exchange scheme.

If you leave USS the options open to you will depend on whether you participate in Salary Exchange. Under the current arrangements, you have the choice of the following options:

### **Participating in Salary Exchange – Payflex+**

#### **Three months or less membership**

- (i) a deferred pension and lump sum which are payable when you retire, or
- (ii) a transfer value, if you elect to transfer your pension fund to another pension arrangement, or
- (iii) a refund of your employee net contributions is permissible through the payroll

#### **More than three months membership**

- (i) a deferred pension and lump sum which are payable when you retire, or
- (ii) a transfer value, if you elect to transfer your pension fund to another pension arrangement,
- (iii) no refund of contributions is permissible

### **Non Salary Exchange membership**

#### **Three months or less membership**

- (i) a deferred pension and retirement lump sum which are payable when you retire, or
- (ii) a transfer value, available if you elect to transfer the value of your USS benefits to the scheme of a new employer or to a personal pension arrangement.
- (iii) a refund of your employee net contributions is permissible through the payroll

#### **More than three months but less than two years membership**

- (i) a deferred pension and lump sum which are payable when you retire, or
- (ii) a transfer value, if you elect to transfer your pension fund to another pension arrangement, or
- (iii) a refund of your employee net contributions is permissible directly from USS

#### **More than two years membership**

- (i) a deferred pension and lump sum which are payable when you retire, or
- (ii) a transfer value, if you elect to transfer your pension fund to another pension arrangement,
- (iii) no refund of contributions is permissible

**If you think you may leave USS within two years of joining, and where a refund of net contributions (i.e. gross contributions less statutory deductions) would be your preferred option, participating in Salary Exchange may not be advantageous to you. In this instance, you may wish to opt out. Please contact the Payroll and Pensions Office for further information.**

## LIFESTYLE EVENTS

You will only be able to opt out of **Payflex+** at 1<sup>st</sup> April each year or, subject to the agreement of the University, if you experience one of the Lifestyle Events listed below.

- a) Marriage or civil partnership
- b) Birth or adoption of a child
- c) Notification of pregnancy or commencement of/return from maternity/paternity/adoption leave
- d) Divorce/legal separation/dissolution of civil partnership
- e) Death of a partner or dependant
- f) Commencement of, or return from, long-term sick leave
- g) Material change in partner's circumstances (e.g. redundancy)
- h) Commencement of, or return from, unpaid leave
- i) A significant change in hours (20% or more)
- j) Increase or decrease in Base Pay (20% or more)
- k) Commencement of, or return from, an overseas secondment
- l) Joining / Leaving the USS
- m) Reaching State Pension Age
- n) Moving House
- o) Taking a place with a registered child carer.

Please refer to Section B, page 5 for further details on what to do if your personal circumstances change.