

Payflex+

SCHEME SUMMARY

For members of **USS**

Revised October 2020

Keele University operates **Payflex+** to make contributions into the Universities Superannuation Scheme (“USS”) more cost effective. This allows most members of the USS and the University to save money. **Payflex+** is a Salary Exchange arrangement similar to the arrangements that the University currently offers for childcare vouchers and Keele nursery places.

We have outlined how **Payflex+** works and have provided examples of the savings you could make. Please refer to the **Frequently Asked Questions** for more detailed guidance.

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.	
SALARY EXCHANGE	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.
ADJUSTED PAY	Your pay after Salary Exchange.
BASE PAY	Your Basic Pay before Salary Exchange,
PENSIONABLE PAY	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
NIC	National Insurance Contributions

How does **Payflex+** work?

- Step 1: You will not make standard pension contributions to the USS (except in the case of AVCs*; please see Question **C1** of the FAQs booklet for more information).
- Step 2: In return, the University will increase its contributions by an equal amount which will be paid into the USS pension scheme. The total amount paid into the scheme remains the same.
- Step 3: As the University is increasing its pension contributions, you agree to reduce your Base Pay by the amount that you previously paid into the USS.
- Step 4: You save NICs as the pension contributions that you previously paid to the USS were subject to NICs whereas the contributions made by the University are not. The University will also make NIC savings in the same way.
- Step 5: Your pension and other similar benefits will continue to be based on your higher Base Pay and so will not be negatively affected by participation in **Payflex+**.

AVCs are not included in this scheme - see FAQs, Question **C1 for more information.*

How much could I save?

The increase in your take home pay due to **Payflex+** depends on your current level of pay and personal circumstances. The table below provides an indication of the annual savings available to members making the current standard employee contributions to the USS 9.6% as at 1 October 2019.

Annual Base Pay (£)	Approximate Annual Member Saving (based on contribution rates as at 1 October 2019 and NI tables for 2019/20) (£)
15,000	117
17,500	138
20,000	158
25,000	194
30,000	234
35,000	274
40,000	309
45,000	154
50,000	75
55,000	82
60,000	90

To show how the savings are generated we have included more detailed examples below.

Example 1

This example is based on a USS Member earning £18,000 per year. The Member saves approx. £207 per annum by participating in **Payflex+** as illustrated below.

Pre Payflex+		Post Payflex+	
Basic Pay	£18,000	Base Pay	£18,000
Less USS pension contribution 9.6%	(£1,728)	Less Payflex+ adjustment	(£1,728)
		Adjusted Pay	£16,272
Less Tax Paid	(£754)	Less Tax Paid	(£754)
Less NIC (On Basic Pay)	(£1,127)	Less NIC (On Adjusted Pay)	(£920)
Net Pay	£14,391	Net Pay	£14,598

Total contributions to the USS have remained the same, and all other Member benefits including pay awards and overtime will continue to be based on the higher Base Pay.

Example 2

This example is based on a USS Member earning £34,000 per year. The Member saves approx. £392 per annum by participating in **Payflex+** as illustrated below.

Pre Payflex+		Post Payflex+	
Basic Pay	£34,000	Base Pay	£34,000
Less USS pension contribution 9.6%	(£3,264)	Less Payflex+ adjustment	(£3,264)
		Adjusted Pay	£30,736
Less Tax Paid	(£3,647)	Less Tax Paid	(£3,647)
Less NIC (On Basic Pay)	(£3,045)	Less NIC (On Adjusted Pay)	(£2,654)
Net Pay	£24,043	Net Pay	£24,435

Total contributions to the USS have remained the same, and all other Member benefits including pay awards and overtime will continue to be based on the higher Base Pay.

Note: These savings are based on Income Tax and NIC rates for 2019/20.

NIC savings will be 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 (£50,000 per annum for 2019/20).

Payflex+ will not affect any other pay-related payments that you receive from the University such as pay awards and overtime. These will continue to be based on your Base Pay before the **Payflex+** Adjustment. Your Pensionable Pay will be based on your Base Pay including any other earnings as may be recognised by the University and the USS as pensionable. Your basic state pension will not be adversely affected.

Can I take part?

Any Members of the USS who we believe will be no worse off from taking part in **PayFlex+** will be automatically included. However, as **Payflex+** is an entirely voluntary arrangement, if you do not wish to participate you can choose to opt out by contacting HR for an opt-out form. This form needs to be completed and returned to Human Resources prior to the commencement of your employment

There are a few limited circumstances where **Payflex+** will be unfavourable for Members for example those whose salary is close to the statutory levels (NMW/ NLW) or Earnings Threshold for NIC. If you fall into one of these categories, you do not need to take any action as you will not automatically be included in **Payflex+**. If we believe this might apply to you, you will be notified separately.