



# PENSION BENEFITS FOR NEW EMPLOYEES

## **Saving for your future with help from the University**

At Newcastle University, we are committed to maintaining our position as one of the UK's leading universities. Our pay and benefits package is designed to enable us to attract and reward the high quality people on whom our ongoing success depends.

After pay, pension is arguably the most valuable benefit for all of us, even though retirement may seem a long way off. Think about how important your pay is to you today – that's how important your pension will be when you retire. This leaflet explains more about the University of Newcastle upon Tyne Retirement Benefits Plan (the Plan) and how you can join.



# DON'T PUT OFF UNTIL TOMORROW...

Not only does the Plan offer you the chance to start saving for retirement, it provides valuable benefits for you and your family during your working life with your employer. Even if you are not ready to think about retiring, you probably care very much about making sure that your dependants will be financially secure should anything happen to you.

You do not have to join the Plan. However, if you choose not to, you and your family will not be entitled to any Plan benefits, including life assurance cover. You will also miss out on extra financial support from the University –

the contributions it pays to the Plan on your behalf are similar to receiving deferred pay.

If you don't join now, you may not receive another chance. If you apply within 12 months of when you first become eligible, you will normally be allowed to join. However, if you apply 12 months or more after your first opportunity to join, your entry to the Plan will not be automatic. The Trustees and the University will decide whether or not you can become a member and you may be asked to meet certain conditions, such as attending a medical health screening at your own expense.



# KEY BENEFITS FROM THE PLAN

The Plan offers a range of benefits to provide financial protection for you and your family.

## **While employed by the University**

- Your contributions are tax-free.
- You will have the choice to pay extra (tax-free) contributions.
- You will receive Life assurance cover of twice your Pensionable Salary (married/civil partnership members) or four times your Pensionable Salary (all other members).
- Pensions for your Spouse or Civil Partner and/or eligible children to provide financial security on your death.

Plus the University pays the majority of the cost of funding the benefits and running the Plan.

## **When you retire**

- A pension for life, based on your Pensionable Service and Pensionable Salary. Your pension builds up in the Plan at the rate of 1/59th of your Pensionable Salary for each University financial year (1 August to 31 July).

# KEY BENEFITS FROM THE PLAN

The table below shows how your benefits may build up and increase.

The total pension you build up is payable from age 66, though there are options to take your benefits earlier or later.

If you leave the Plan, you will no longer build up pension, but the pension you have earned will be increased between your date of leaving and retirement.

Age at start of year	Year	Pensionable Salary (increases at 1% per year)	Pension built up over year	Revaluation on pension (2.0% per year)	Total pension at end of year
61	1	£30,000	£508	£0	£508
62	2	£30,300	£514	£10	£1,032
63	3	£30,603	£519	£21	£1,572
64	4	£30,909	£524	£31	£2,127
65	5	£31,218	£529	£43	£2,699

Figures are rounded to nearest £. This example has been calculated in line with the Bank of England's long term inflation target of 2%.

Figures are assumptions and actual increases/inflation will differ.

If you stay in the Plan up to your Normal Retirement Date, benefits will continue to be earned and revalued as shown above.

If you leave the Plan before your Normal Retirement Date, you will cease to earn benefits but they will continue to be revalued up to your Normal Retirement Date.

More details about the Plan are provided in the Plan booklet available on the [website](#).

# PENSIONS+ CONTRIBUTIONS

The normal way that the majority of members contribute to the Plan is called Pensions+. This is designed to ensure that you and the University gain from the maximum National Insurance relief that is available.

If you join as a Pensions+ member, the University will pay contributions on your behalf directly into the Plan. In return, you agree to a corresponding reduction in your salary. Your pension benefits will be calculated using your Reference Salary (referred to as 'monthly salary'), which is your pay before any salary sacrifice for Pensions+.

Pensions+ works as follows:

- your monthly salary is reduced by a salary sacrifice equivalent to the member contribution rate (currently 6.75% of your Pensionable Salary);
- the University increases its contribution to the Plan by an amount equivalent to your salary sacrifice; and
- you and the University benefit from paying less National Insurance contributions, because these are not payable on that portion of your pay that you sacrifice.



# EXCLUSIONS TO PENSIONS+

If your monthly gross salary is less than the Pay Protection Limit (PPL), which is £13,500 for the 2023/24 tax year, or you are employed on a contract that will expire before you can complete two years of active Plan membership, you will not normally be entered into the Pensions+ arrangement (see **An alternative to Pensions+**). You can still become a Pensions+ member if you wish.



# TAX AND NATIONAL INSURANCE SAVINGS

Your pension payments enjoy tax relief at the highest rate of tax you pay, so that each £1 you pay towards your pension only costs you 80 pence after tax relief at the current basic rate of 20%. If you pay higher rate income tax, the current rate used to calculate the tax relief is 40%.

As a Pensions+ member, you will not pay National Insurance contributions on the amount of salary that you sacrifice. This means that, for the tax year 2023/24, you will save 12% of the amount of the pension payments that are deducted from your earnings up to £50,270.

**You may be surprised at how little it actually costs to be a member of the Plan.**

## Example

If you earn an annual salary of £20,000 and sacrifice 6.75% of this salary for pension benefits (as a Pensions+ member), you will save a further £162 each year in National Insurance contributions, while your pension benefits will be based on your Reference Salary of £20,000.

The table on the right shows a breakdown of how this is calculated, based on the tax year 2023/24.

	<b>Pensions+ £</b>	<b>Alternative Contributions £</b>
<b>Contribution at 6.75% of £20,000</b>	0	(1,350)
<b>Salary reduction</b>	(1,350)	0
<b>National Insurance saving with Pensions+</b>	162	0
<b>Income tax relief at 20%</b>	270	270
<b>Cost of Plan membership</b>	918	1080

# AN ALTERNATIVE TO PENSIONS+

If you decide to opt out of Pensions+, earn below the PPL of £13,500 per year (2023/24 tax year) or are on a fixed-term contract that lasts for less than two years, you can still join the Plan and pay monthly contributions.

Your contributions will be deducted from your gross pay via the Pay As You Earn system and you will currently pay 6.75% of your Pensionable Salary into the Plan each month.

# WHAT THE UNIVERSITY PAYS

The University pays the balance of what is needed to pay the benefits and this is usually considerably more than the members' contributions.

Every three years, the Plan Actuary reviews and calculates how much members and the University must pay into the Plan so that the benefits can be met. Pensions+ and contribution amounts may therefore vary from time to time and you will be notified if there is any change.



# WHAT NOW?

It's up to you. Provided you are at least 16 years of age but have not yet reached the greater of age 66 or your State Pension Age if later, the Plan has something to offer you. It's never too early to begin saving for retirement. The sooner you start, the better your pension will be. So why not join today?

## TRANSFERRING PREVIOUS PENSION BENEFITS

The Plan does not accept any transfers of pension benefits under a previous employer's or private plan.

# HOW TO JOIN

To become a Plan member, please complete Declaration A on the decision form provided.

To notify us of whom you would like the life assurance benefit to be paid in the event of your death, please also complete the expression of wish form provided.

If you need more information about the Plan or your pension options in general, please contact:

tel: **0191 208 6487**

email: **pensions-enquiries@ncl.ac.uk**

or write to:  
Payroll and Pensions Office  
Newcastle University  
King's Gate  
Newcastle upon Tyne  
NE1 7RU

For further information please visit the [Plan website](#).

# PENSIONS+ Q&As

## How much will I save under Pensions+?

Some examples of savings are provided below to help illustrate what happens under Pensions+ at different salary levels.

Annual Salary	Retirement Benefits Plan (RBP) 6.75% Employee Contribution	Annual Employee NI Savings
£15,000	£1,012.50	£121.50
£20,000	£1,350.00	£162
£25,000	£1,687.50	£202.50

The savings are based upon the marginal rate of National Insurance Contributions (NICs) that is payable on the salary that is given up as a pension contribution.

## How does Pensions+ affect my pay, other pay elements and University provided benefits?

Pensions+ will not reduce any salary-related payments (such as your final salary pension benefit or overtime) or any benefits that you receive from the University: these will be based on your Reference Salary. It will however reduce your NICs, leaving you with increased take-home pay.

## I am over State Pension Age so there are no NI savings for me, but there are for the University. Could I lose out by being in Pensions+?

No, if you are over State Pension Age you do not build up further entitlement to State benefits. Nor do you lose out on any pay or pension benefits. However you may wish to ensure that any Additional Voluntary Contributions you may pay are kept outside of Pensions+ as you would be giving up the current payment flexibility for nothing in return.

# PENSIONS+ Q&As

## What is a Reference Salary?

Participating employees will have a Reference Salary (referred to as 'Monthly Salary' on your payslip) which refers to your pay before taking account of any salary sacrifice adjustment. Your payslip will appear differently after salary sacrifice. The Reference Salary is the amount used to calculate your other salary-related benefits including salary increases, bonuses and overtime. It is also the amount used in personal official correspondence, for example mortgage letters, loan applications or job references etc and will be the figure typically quoted in pay scales.

## Does this affect the amount of tax that I have to pay?

The tax that you pay is not affected by Pensions+.

## How will Pensions+ affect my pension benefits?

Your retirement benefits remain unchanged. Your pension benefits are based on your pensionable salary. This is your annual salary or Reference Salary including any other pensionable earnings. Similarly, if you die whilst an active member of Pensions+, your Death in Service benefits will not be affected. Any benefits payable to survivors or dependants will also be unchanged.

# PENSIONS+ Q&As

## Can salary sacrifice arrangements impact on State benefits?

Rules for the calculation of State benefits may change. Currently if you earn over the Earnings Threshold your entitlement to State benefits is not affected. However, if you earn less than the Earnings Threshold, salary sacrifice may affect your entitlement to State benefits and tax credits where these are based on the amount of National Insurance that you pay or the amount of your earnings. For information on earnings-related benefits visit [www.gov.uk/browse/benefits](http://www.gov.uk/browse/benefits)

## Could the Government come back at a future date and reduce my State Pension as I paid less NI contributions by entering into Pensions+?

No – State Pensions are not based on the amount of NI you pay – rather the number of years that you have actually made NICs.

## How will Pensions+ impact on my tax credits (working tax credit and child tax credit)?

Pension contributions are allowable deductions in the calculation of income for tax credits, hence the reduction in salary arising from Pensions+ is unlikely to impact on tax credits. You will need to consider your own individual circumstances. More information can be found at [www.gov.uk/topic/benefits-credits/tax-credits](http://www.gov.uk/topic/benefits-credits/tax-credits).

# PENSIONS+ Q&As

## Does the level of my earnings affect whether I will benefit from Pensions+?

The University has structured Pensions+ so that nearly all employees will benefit. However, there are some situations where we cannot completely guarantee this:

- It is unlawful to sacrifice salary to the extent that your gross earnings are reduced to a level below the National Minimum Wage (NMW) or National Living Wage (NLW). The University offers additional salary sacrifice arrangements including Childcare Vouchers and Cycle to Work; if the effect of one or more of the salary sacrifice arrangements was to reduce your gross pay below the NMW/ NLW the University would need to reduce the amount of your salary

being sacrificed to bring you back above the NMW/NLW.

- If you earn less than £12,570 per year (2023/24 tax year Earnings Threshold), you will not pay NICs and will therefore not be able to benefit from Pensions+.
- Additionally, if you earn less than the Earnings Threshold after benefits paid via salary sacrifice, you may lose your entitlement to some state benefits (for example employees who work less than 16 hours per week may find their Jobseeker's Allowance affected).
- The University has a Pay Protection Limit (PPL) to ensure that no employees are worse off under

Pensions+. If your earnings currently, or in the future, fall below this limit you will be taken out of Pensions+ automatically. Your pension payments will then be made on a contributory basis only.

You may opt into Pensions+ if you fall below the PPL but remain above the NMW/NLW, if you believe it will benefit you. Simply complete an Opt-in form, available from the Payroll and Pensions Office.

If your current earnings are below the PPL and in the future increase above this limit you will automatically be enrolled into Pensions+ at the next anniversary date. You will be informed of this action at the time.

# PENSIONS+ Q&As

## What happens if I am on a fixed-term contract that expires within two years of joining the pension Plan?

If you are on a fixed-term contract that will expire before you reach two years' active pension membership, you will not be opted into Pensions+. You may, if you wish, opt in by completing an Opt-in form, available from the Payroll and Pensions Office. However if you leave the Plan with less than two years' active pension membership you will not be entitled to claim a refund of any pension contributions paid as, under Pensions+, members do not make contributions.

Fixed-term employees who remain contributory members (opted out of Pensions+) will automatically be defaulted into Pensions+ after two years' active pension membership at the next anniversary date – but will have the choice to opt to remain as a contributory member. You will receive a letter at the time of the automatic opt-in reminding you of your options.



# PENSIONS+ Q&As

## **What happens if I leave the University or the Plan with less than two years' active membership?**

Legislation allows members of occupational pension plans to request a refund of their contributions (less the statutory deductions) if they leave within the first two years of active pension membership. If you participate in Pensions+ you would not be able to receive a refund for any period you are in Pensions+ as your contributions are being paid by the University.

A member leaving with 'split service' (with pension membership on a contributory basis and on a salary sacrifice basis through Pensions+) must think carefully before choosing a refund of member contributions as the value of the return of the member contributions less the statutory deductions may be much less than the overall value of the other benefits available on leaving.

For members of the CRB Section there is the option to transfer the benefits into another suitable pension arrangement if you have more than three months' Pensionable Service. Any request to transfer must be made within three months of leaving the University and the transfer must be completed within three months of the request being made. Otherwise you will not be entitled to any benefits from the Plan.

# PENSIONS+ Q&As

## What about Additional Voluntary Contributions (AVCs)?

Where a member makes regular monthly AVC payments these may be included in Pensions+ by completing the AVC Opt-in form available from the Payroll and Pensions Office. Taking this action will result in further NIC savings. Members must agree to maintain a regular monthly payment and may choose to opt-out only at the Pensions+ Anniversary date (1 July each year) or as a result of a Lifestyle Event. Members who wish to pay AVCs on an 'ad hoc' basis may do so but these payments cannot be paid through Pensions+ under current guidelines from HMRC. Additionally it is possible to split the amount of AVCs so that only part of the payment is through Pensions+ and part through a non salary sacrifice arrangement. This would allow a degree of flexibility.

## How will Pensions+ affect my student loan repayments?

Student loan repayments are based on your total gross salary. Your total gross salary will be reduced by an amount equal to your gross pension contribution if you participate in Pensions+, therefore, your student loan repayment will be reduced to reflect this and may take longer to repay in full.



# PENSIONS+ Q&As

## What happens if I go on maternity, paternity or adoption leave?

Although salary sacrifice can reduce the amount of Statutory Maternity Pay (SMP) a woman is entitled to, **for those who have more than 52 weeks' service** at the Qualifying Week, the University ensures that participating employees are no worse off by paying Occupational Maternity Pay (as defined in the Maternity Policy).

For employees with **less than 52 but more than 26 weeks' service** as at the Qualifying Week, participation in salary sacrifice could potentially result in a reduced SMP payment for the first six weeks of your maternity leave. This is because SMP is calculated on the amount of average weekly earnings during the eight-week period, fifteen weeks prior to the expected date of childbirth. By participating in salary sacrifice there is a reduction of salary for NI purposes during this period which can then reduce entitlement. In these circumstances the University will ensure there is no detriment to any employee with salary sacrifice arrangements by paying a 'top-up' payment equal to the amount you would have received, if you were not participating in salary sacrifice. Similar arrangements apply for members on adoption or paternity leave.

## What happens if I subsequently sign up to another salary sacrifice benefit and the combined impact takes my salary below the Earnings Threshold or NMW threshold?

Participation in several salary sacrifice schemes must be considered carefully to ensure NMW/NLW requirements are met, together with the Earnings Threshold. Under the Minimum Wage legislation you are not permitted to reduce your gross income below the NMW/NLW threshold. If you are currently participating in or considering joining another salary sacrifice scheme in the University, and you think the combined impact may reduce your salary below the NMW/NLW or Earnings Threshold (for NIC purposes) please contact the Payroll and Pensions Office for further guidance. The options available to you depend on which salary sacrifice you are interested in.

# PENSIONS+ Q&As

## Can I choose to opt in or opt out of Pensions+ at any time?

You may choose to opt in or opt out of Pensions+ at any time. You are still eligible to participate in the Plan as a contributory member if you do not wish to participate in Pensions+.

## What is a Lifestyle Event?

If your situation changes significantly this is known as a Lifestyle Event, for example you go on maternity leave; you or your partner has a baby and the savings from Childcare Vouchers are more beneficial to you; or your pay or hours change significantly. For further information and Opt-out/Opt-in forms please contact the Payroll and Pensions Office.

## Will Pensions+ be around forever?

If legislation changes the University may be forced to withdraw the Pensions+ scheme. Pension+ members would automatically be changed to membership on a contributory basis. Your Reference Salary would revert back to being your actual annual salary.

## I've still got more questions, where can I get further information?

Please email [pensions-enquiries@ncl.ac.uk](mailto:pensions-enquiries@ncl.ac.uk).

Your query will be directed to the appropriate University representative. The University's Payroll and Pensions Office can also be contacted on **0191 208 6487**.

You can also visit the [Pensions+ website](#).