



University of
St Andrews

Salary sacrifice

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Purpose	Guidance on Salary Sacrifice for employees in the USS and S&LAS Pension Schemes.

Version number	Purpose / changes	Document status	Author of changes, role and school / unit	Date
1.0	New document (supersedes the Paysave guidance)	Published	Lisa Harley HR	09/07/2020

1. Introduction

- 1.1 The University operates Salary Sacrifice for pension contributions, for employees in the USS or S&LAS Pension Schemes, as a more effective way of contributing to your pension and saving for your retirement.
- 1.2 By participating, you will most likely be able to increase your take home pay through National Insurance (NI) savings. At the same time the University will also make NI savings which is beneficial for the long-term success of the University, employees and students.
- 1.3 Salary Sacrifice will benefit most staff and therefore you will automatically be included unless you are informed that you will be worse off by taking part.
- 1.4 If you have any questions about salary sacrifice, please contact the Pensions Office by emailing pensions@st-andrews.ac.uk.

2. How Salary Sacrifice works

- 2.1 In the past, employees would have paid into USS or S&LAS directly from their salary. Salary sacrifice enables employees to benefit by paying less NI.
- 2.2 This is how it works:
 - Employees stop making normal contributions to USS or S&LAS.
 - The University pays an additional amount into USS or S&LAS equal to the employees' normal contribution.
 - The employee's basic salary is reduced by an amount equal to their normal contributions.
 - Employees pay less NI (than you would without salary sacrifice).
- 2.3 USS employees will see their take home pay increase, whereas S&LAS members will see the NI savings on their payslip, but not in their actual pay, as the savings are paid over to the Pension Scheme to help funding. The employer NI savings are also paid over to the Scheme.

3. Salary

- 3.1 As a participant in the salary sacrifice arrangement, employees will now have two "types" of salary. These are explained below:

3.2 Basic salary

- 3.2.1 This is an employee's basic annual salary **before** the adjustment for salary sacrifice and is the salary that will be used by the University when calculating all salary-related benefits (e.g. pension contributions and benefits, salary increases, overtime, life assurance). It will also be the salary used for any external references (e.g. mortgage references) which will remain unchanged.

3.3 Salary Sacrifice salary

- 3.3.1 This is an employee's salary **after** the adjustment for pension. This is the salary used by the Salaries Office to calculate how much NI an employee will pay.

4. Exclusions

4.1 Salary sacrifice has been designed so that the majority of employees will benefit from taking part. However, if an employee will become worse off in the salary sacrifice arrangement, either now or in the future, Salaries will amend the employee's record and remove them from salary sacrifice. Employees will be notified accordingly.

4.2 Employees will be excluded from the salary sacrifice arrangement:

- If the employee earns less than the lower earnings limit, currently around £6,000 a year. This is because employees would not make any savings and state benefits may be affected.
- If an employee's salary will be reduced below the National Minimum Wage (NMW) by salary sacrifice. This is because it is not possible to reduce employees pay below the NMW.
- If an employee works less than 16 hours a week for the University, then the employee will be opted out automatically. This is because Job Seekers Allowance may be affected. However, if an employee works somewhere else bringing their total employment above 16 hours per week, then the employee may ask to be included in the salary sacrifice arrangement by emailing Pensions Office at pensions@st-andrews.ac.uk. The employee will need to decide whether this is an issue for them and whether they wish to take part in salary sacrifice or not.

4.3 Employees over State Pension Age (SPA) do not pay any NI and as a result will not make an NI savings. However, employees will still be automatically included in the salary sacrifice arrangement.

4.4 Salary sacrifice will not reduce the following tax credits:

- Childcare Element of Working Tax credit
- Working Tax credit

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