



University of
St Andrews

Salary sacrifice

Document type	Guidance
Scope (applies to)	All staff
Applicability date	03/01/2024
Review / Expiry date	31/12/2026
Approved date	04/01/2024
Approver	Deputy Director of Human Resources
Document owner	Human Resources Officer
School / unit	Human Resources
Document status	Published
Information classification	Public
Equality impact assessment	None
Key terms	Staff/Employee relations/Retirement
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
1.2	Review completed by Senior Pension Administrator.	Published	Lisa Harley HR	03/01/2024

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 their pension and saving for retirement.
- 1.2 By participating, employees will most likely be able to increase take home pay through National Insurance (NI) savings. 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 employees will automatically be included unless they are informed by the Pension Administrator that they would be financially worse off by taking part.
- 1.4 Any questions about salary sacrifice should be directed to the [Pension Administrator](#).

2. How Salary Sacrifice works

- 2.1 Salary sacrifice enables employees to benefit by paying less NI. This is how it works:
 - Employees stop making normal contributions to USS/S&LAS.
 - The University pays an additional amount into USS/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 they would without salary sacrifice).
- 2.2 USS members 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**
 - 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**
 - This is an employee's salary **after** the adjustment for pension. This is the salary used by Pay & Pensions 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, Pay & Pensions 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. This is because employees would not make any savings and state benefits may be affected.
- An employee's salary will be reduced below the National Minimum Wage (NMW) by salary sacrifice.
- An employee works less than 16 hours a week for the University. 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 the Pension Administrator (pensions@st-andrews.ac.uk).

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

5. Version control

5.1 This document will be reviewed periodically in conjunction with the University's recognised Trade Unions. Any feedback on the policy content should be directed in the first instance to the [HRBP team](#) or via the [HR Feedback Form](#).

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
1.1	Change to review date only.	Published	Lisa Harley HR	12/07/2022
1.2	Review completed by Senior Pension Administrator.	Published	Lisa Harley HR	03/01/2024