

# Pension salary exchange

## A more efficient way to save for your future through pension contributions for the University of Nottingham's Contributory Retirement Savings Plan (CRSP)

You could be benefiting from contributing to your pension using salary exchange. Pension salary exchange will enable you to reduce your National Insurance (NI) contributions which in turn may lead to an increase in your take home pay. **It does not change the amount being contributed to your pension, your pension entitlement or other salary related employee benefits (further detail on this is set out below).** Pension salary exchange is being introduced from 1 June 2024. Existing CRSP scheme members eligible to join the salary exchange arrangement will automatically be included, so you do not need to take any further action if you wish to benefit from the change.

If you are an existing CRSP scheme member and do not want to be included from 1 June 2024, you can opt out of this process by completing the opt out form using the QR code below.

The information in this document is non-contractual and does not form part of your terms and conditions of employment. Any examples are provided for illustrative purposes only. You should consider your own situation carefully and you may wish to consider seeking guidance or financial advice.

### What is pension salary exchange?

Pension salary exchange (also known as salary sacrifice) is a cost-effective way for you to pay into your pension savings. It is a common arrangement that has been adopted by a number of employers across the UK including the University of Nottingham for some of its other pension arrangements.

Currently, your employee pension contribution is deducted from your net pay and paid into your pension plan with Legal & General (L&G). The University of Nottingham (the University) also makes a separate company contribution into your pension plan.

Under pension salary exchange, your basic monthly salary will be reduced by an amount equivalent to your current regular pension contribution and the University will then make an equivalent payment directly into your pension plan, in addition to its normal company contribution. The total amount paid into your pension plan stays the same; however, your NI contributions are based on your reduced basic monthly salary and so the amount of NI contributions you pay are reduced and therefore you may see an increase in your take home pay.

For example, if you're a 20% taxpayer, for every £100 contribution you could see an extra £8 (based on a new 8% NI rate from 6 April 2024) in your take home pay each month. Note that employee NI rates changed from 12% to 10% on 6 January 2024 and then from 10% to 8% on 6 April 2024 for earnings between £12,571 and £50,270.

Salary exchange is beneficial for many people across the UK, not just the University employees, however it may not be right for you. For example, you may not benefit if:

- your earnings are at, or just above, the Minimum Wage rate, this will be checked on an on-going basis. Note that we have introduced a buffer to meet minimum wage requirements, meaning if your hourly rate post salary exchange falls below £12 per hour you will not contribute via salary exchange;
- you earn below the NI Primary Threshold (£12,570 for the 2024/25 tax year);
- you are over State Pension Age;

- you are taking or about to start a period of maternity or other extended family leave; or
- your taxable earnings in a tax year, after all salary exchange arrangements have been taken into account, will be less than the Lower Earnings Limit (£6,396 for the 2024/25 tax year).

If you are in receipt of any state benefits you may wish to check with the relevant authority to understand any potential impacts of participating in the salary exchange arrangement on these benefits. Further information is available under Q6 of this pack.

If you feel pension salary exchange is not right for you, you can choose not to participate in it. Further information is provided in this pack on how to do that.

This change will not affect the amount that you and the University currently contribute to your pension, but if you would like to change your contribution level then please complete the Employee Pension Scheme Instruction Form (CRSP) using the QR code below or by contacting the pensions team via e-mail [pensions@nottingham.ac.uk](mailto:pensions@nottingham.ac.uk).



## What do I need to do now?

Please read this communication carefully. It explains how pension salary exchange works and what the benefits are. We've also included some Frequently Asked Questions (FAQs) which should cover many of the queries you might have.

If you wish to go ahead and participate in pension salary exchange, **you don't need to do anything** as you'll automatically be included from 1 June 2024.

If you do not wish to participate, we've included a salary exchange opt-out form in this pack. Please complete the Employee Pension Scheme Instruction Form (CRSP) using the QR code above or by contacting the pensions team via e-mail [pensions@nottingham.ac.uk](mailto:pensions@nottingham.ac.uk) by 31 May 2024.

Note, this form is to opt-out of pension salary exchange, not to opt-out of pension contributions.

## How much could I save under pension salary exchange?

A basic rate taxpayer may be able to save 8% on their pension contributions, whilst a higher rate taxpayer may save 2%.

This table provides some idea of how much you could save on your annual NI contributions.

Pensionable Salary	Annual saving (3% employee contribution)	Annual NI saving (3% employee contribution)	Annual NI saving (4% employee contribution)	Annual NI saving (5% employee contribution)	Annual NI saving (6% employee contribution)	Annual NI saving (7% employee contribution)
£25,000	£60	£80	£100	£120	£140	
£30,000	£72	£96	£120	£144	£168	

These examples are indicative only and are included to give you an idea of what you could save. They assume entitlement to the full Personal Allowance and no other additional elements of salary or deductions. We've based the Personal Allowance, Income Tax and NI rates on the 2024/2025 tax year.

So that you can get a clearer understanding of the potential savings we suggest that you use the salary exchange calculator, which will allow you to input your salary and pension contribution percentage. This can be found at our website at <https://www.nottingham.ac.uk/hr/pensions/contributory-retirement-savings-plan-crsp.aspx>

## Where can I get more information?

If you've looked at this information and the FAQs and you have more questions, or you're not sure if pension salary exchange is right for you, rest assured that we are here to help and there are other opportunities to get your questions answered:

- If you have any questions which are not answered in this FAQ then please submit them via the following email address [CRSP@isio.com](mailto:CRSP@isio.com) or call 0800 122 3210
- You can also get impartial information and guidance from [MoneyHelper](https://www.moneyhelper.org.uk/en/pensions-and-retirement), a free source of support provided by the Money and Pensions Service: <https://www.moneyhelper.org.uk/en/pensions-and-retirement>
- If you need advice regarding your own personal tax or NI position, it is recommended that you speak to a financial adviser regulated by the Financial Conduct Authority. You can find details of regulated financial advisers by visiting [www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser](http://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser)

### **Legal information and changes to your terms and conditions of employment**

It is important to understand that the introduction of salary exchange constitutes a change to your terms and conditions of employment.

By not opting out of salary exchange, you agree to the following:

- Your basic monthly salary will be reduced by the percentage contribution you make to the CRSP and the University agrees to make an additional equivalent employer pension contribution to the CRSP for your benefit.
- The percentage deduction you have chosen will vary in line with your salary (i.e. if your salary increases, the percentage deduction will be calculated on the higher wage);
- In the event that you are unable to pay pension contributions through the salary exchange arrangement due to statutory requirements or by virtue of the effect that exchanging your salary would mean your pay would reduce to below the national minimum wage, your participation in the CRSP will continue but salary exchange will not apply and instead your pension contributions will be deducted from your pay.
- Subject to any statutory restrictions, the University reserves the right to change, terminate or replace the CRSP or any other scheme it operates from time to time (including but not limited to the rules of the CRSP or employer contribution rates) as well as to change the identity of the scheme provider for any reason from time to time.

The above changes are effective from 1 June 2024, **unless you complete the Employee Pension Scheme Instruction Form (CRSP) using the QR code below or by contacting the pensions team via e-mail [pensions@nottingham.ac.uk](mailto:pensions@nottingham.ac.uk) by 31 May 2024.**



This change will continue throughout the course of your employment with the University unless you elect to withdraw from pension salary exchange (which you may do at any time), or if you elect to withdraw from membership of the pension scheme altogether (or the University decides to change the arrangements).

The pension salary exchange arrangement is based on current taxation, NI law and practice. The University may, in its absolute discretion, change or discontinue these arrangements without your consent at any time.

You should consider your own situation carefully and you may wish to consider seeking guidance or financial advice.

## Frequently Asked Questions

This document aims to address some of the questions that you may have. If you have any questions not answered here, please contact [CRSP@isio.com](mailto:CRSP@isio.com) or call 0800 122 3210.

### 1. Can you explain pension salary exchange in more detail?

Pension salary exchange is an arrangement that changes the way in which your pension contributions are made. This change will take effect within payroll from 1 June 2024, and you'll automatically be included unless you choose not to. You can choose not to participate by completing and returning an opt-out form by 31 May 2024.

Under the arrangement:

- Your basic monthly salary will be reduced by the amount of your gross employee pension contribution. For example, if you contribute 5%, your basic monthly will be reduced by 5%.
- This amount will be paid into the pension scheme by the University, along with the University's normal company contributions. So, the total amount being contributed to pension doesn't change.
- As this reduction will reduce your gross pensionable salary, you'll pay less in NI contributions meaning that there may be an increase in your take home pay.
- The University will use the term 'Notional Salary' to refer to your gross pay before salary exchange pension contributions were reduced. Notional Salary will be used from 1 June 2024 to calculate parts of your remuneration package like overtime and life assurance.

Under pension salary exchange, if you're a basic rate taxpayer you may save 8% NI on your pension contributions in addition to the 20% income tax saving you're already making, which means that it'll only cost you £72 (net) for every £100 contribution made. Under your current method of paying your

employee contributions, a basic rate taxpayer receives 20% income tax savings on their contribution meaning it costs £80 for every £100 contribution.

If you're a higher rate taxpayer (in 2024/25 tax year terms), you'd save 2% NI on your pension contributions in addition to the 40%\* income tax saving, which means that it'll only cost you £58 (net) for every £100 contribution made.

\*If you are a higher rate income taxpayer, you receive 20% income tax relief automatically when your contribution is sent to L&G. However, a higher rate taxpayer is also entitled to more income tax relief but is required to reclaim any additional income tax relief due via HM Revenue & Custom's (HMRC) self-assessment. Under pension salary exchange, you would receive your full income tax relief via the payroll without the requirement to reclaim anything. This means a higher rate income tax payer should only claim up to the June 2024 contributions for additional income tax relief if they switch to contributing via pension salary exchange.

Once you reach State Pension Age you no longer pay NI contributions.

## 2. How can I compare pension salary exchange to my current arrangement?

Under pension salary exchange, your take home pay may be higher. The reason for this is that your taxable salary is reduced by the level of your pension contribution, resulting in you paying less NI contributions.

Basic rate income taxpayer (earns between £12,570 and £50,270)

The table below (based on 2024/25 tax year) provides an example of an employee whose basic annual salary is £30,000 (£2,500 per month) and whose employee contributions are 5% and employer pension contributions are 10%.

		Current method	Salary Exchange
A	Monthly Salary	£2,500	£2,500
B	Salary Exchanged	£0	£125
C	Earnings on which income tax and NI are based	£2,500	£2,375
D	Income tax payable*	£291	£266
E	NI payable	£116	£106
F	Employee contribution from net pay	£100 + pension provider income tax relief of £25. Total contribution £125.	£0
G	Employer contribution	£250	£250 + £125 salary exchange. Total contribution £250.
H	<b>Total contribution to pension</b>	<b>£375</b>	<b>£375</b>
I	<b>Take home pay</b>	<b>£1,993</b>	<b>£2,003</b>
J	<b>Difference</b>		<b>+ £10 per month (£120 per year)</b>

*\* Note: As set out in Question 5 below, although the income tax which you actually pay on your salary will reduce, your net income tax position will be unchanged by salary exchange as your pension contributions already receive income tax relief.*

Under pension salary exchange, the employee gives up 5% (£125) from their gross pensionable pay (row B) which has the effect of reducing their taxable income for NI (row C) purposes. Therefore, because their taxable income for NI is lower, the employee will pay less NI (row E). It is the result of paying less NI that results in the employee's take home pay being higher than if they did not contribute via Salary Exchange (row I).

***In this example, by contributing via Salary Exchange, take home pay has increased by £10 per month (£1,993 to £2,003), or £120 per year.***

### **3. How will pension salary exchange affect future salary reviews and any other related benefits?**

We'll ensure that any future salary reviews or payments made through the Nottingham Reward Scheme, as well as any payment from the Group Life Assurance scheme will continue to be based on your Notional Salary (meaning your pay **before** reducing the salary exchange pension contribution). Salary-related employee benefits provided by the University such as the group life assurance scheme, will be calculated on your Notional Salary.

You should note, however, that statutory payments (such as statutory maternity pay and statutory redundancy) are calculated by reference to actual salary and not the notional salary.

### **4. What salary will be used if I need a mortgage, rent or loan reference?**

This is generally a matter for the loan provider although more emphasis is likely to be placed on net available income (after deduction of other regular expenditure including pension contributions) than on gross salary. If we're asked to provide a reference for these purposes, we'd give a full picture and quote your Notional Salary before any adjustment as part of pension salary exchange. Salary exchange is a common arrangement that has been adopted by a number of UK employers and, therefore, is widely recognised by lending institutions.

### **5. Will pension salary exchange change the amount of income tax that I pay?**

#### **Basic rate income taxpayer:**

Pension salary exchange will enable you to continue to receive income tax relief on pension contributions at the time your salary is paid. If you currently earn between £12,570 and £50,270 per year, you may pay income tax at 20%. You currently receive 20% Income Tax relief on your pension contributions and this will continue under pension salary exchange.

### **Non-income taxpayer:**

If you earn less than the Personal Allowance (the level at which you start to pay income tax) of £12,570 per annum for the 2024/25 tax year, pension salary exchange may not be appropriate for you because you would not get income tax relief on your contributions. If this applies, the University won't include you in the salary exchange scheme and you'll continue to pay normal contributions which will automatically attract income tax relief at 20%.

## **6. Will my State benefits, student loan or tax credits be affected?**

When you participate in salary exchange, you save on NI contributions. For many employees, paying less NI contributions is not expected to materially affect their state benefit entitlements. Further information can be found below:

<b>Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP) and Statutory Shared Parental Pay (ShPP)</b>	These are based on <b>actual</b> earnings for a set period and therefore some statutory payments will be lower if you participate in salary exchange in the lead up to your statutory leave. During any period of paid leave, the University will continue to make employer pension contributions.
<b>State Pension</b>	The State pension rules that apply from 6 April 2016 are based on your NICs record. Broadly, to obtain the full state pension you must accrue 35 qualifying years. To gain a qualifying year, you must pay NI contributions (or earn more than the NI contributions lower earnings limit and be treated as having paid NI contributions). Your State Pension entitlements from April 2016 may not be impacted by taking part in a salary exchange arrangement as long you continue to earn above the Lower Earnings Limit of £6,396 (2024/25 tax year). While participation in the salary exchange arrangement is permitted should your pay fall below the NIC threshold, you should consider if participation in the arrangement is the right option for you.
<b>Tax Credits</b>	Pension salary exchange will reduce your salary, which may have a beneficial effect on working tax credits and child tax credits as these are typically calculated on your earnings. If you're in receipt of these benefits, it is recommended that you speak to the tax credits helpline on 0345-300-3900, or refer to the following website for further guidance:  <a href="http://www.taxcredits.inlandrevenue.gov.uk/qualify/WhatAreTaxCredits.aspx">http://www.taxcredits.inlandrevenue.gov.uk/qualify/WhatAreTaxCredits.aspx</a>
<b>Student Loan</b>	Pension salary exchange reduces your taxable income and therefore, if a student loan is deducted from your salary, you may repay less student loan each month.



<b>Minimum Wage</b>	You may not participate in salary exchange if doing so takes you below the minimum wage.
<b>State benefits</b>	Entitlement to some state benefits (for example, statutory sick pay) is related to the amount of NI contributions you have paid (or are deemed to have paid) or your earnings. Accordingly, salary exchange may affect these benefits.
<b>Unpaid leave</b>	<p>For periods of unpaid leave where monthly salary is reduced, pension membership and benefits will continue, however, pension contributions will be adjusted in line with the reduced monthly salary amount for the period of leave.</p> <p>For periods of unpaid leave where employees are in receipt of nil monthly pay, no contributions will be made towards their pension and leave may not count as pensionable service.</p> <p>For further information regarding periods of unpaid leave please refer to the relevant leave scheme policy <a href="https://www.nottingham.ac.uk/hr/guidesandsupport/worklifebalance/index.aspx">https://www.nottingham.ac.uk/hr/guidesandsupport/worklifebalance/index.aspx</a>.</p>

## 7. What if I already use salary exchange for other employee benefits to get NI savings, for example through the childcare vouchers scheme?

You can participate in more than one salary exchange arrangement. You should note, however, that the combined amount can't take your salary below the Minimum Wage.

## 8. What do I do next?

If you wish to go ahead and participate in pension salary exchange, **you don't need to do anything** as you'll automatically be included from 1 June 2024.

If you wish to opt out of pension salary exchange, please complete the Employee Pension Scheme Instruction Form through the provided QR code by 31 May 2024.



Participation in salary exchange is purely voluntary. If you decide not to take part, you can make (or continue to make) your own personal contributions into your pension pot. We will likewise make (or continue to make) our normal employer contributions into your pension pot.



## 9. What happens if I opt-out and then change my mind, or wish to opt-out at a later date?

If you choose to opt-out of salary exchange, your pension contribution method will remain unchanged and you'll continue to receive Income Tax relief, but you will not be able to make any NI contribution savings.

You can opt back into salary exchange or opt-out of it in the future, at the discretion of the University, by completing the Employee Pension Scheme Instruction Form (CRSP) using the QR code below or by contacting the pensions team via e-mail [pensions@nottingham.ac.uk](mailto:pensions@nottingham.ac.uk).



## 10. Does the University benefit from pension salary exchange?

Employers also make NI contributions in respect of their employees' earnings, so as your earnings reduce and your NI contributions reduce, so will the NI contributions that the University pays.

## 11. Will new employees be offered pension salary exchange?

Yes, from 1 June 2024 all new starters joining the pension scheme will automatically enter pension salary exchange arrangements, unless pension salary exchange is not deemed appropriate for them, or they've chosen to opt-out.

## 12. Will pension salary exchange impact on any redundancy pay I might be entitled to?

Statutory redundancy pay is based on your earnings before tax (subject to a cap on the maximum amount that is taken into account). Salary exchange reduces your taxable earnings liable for NI which is why you pay less NI contributions; this would normally mean that the basis on which any statutory redundancy payment is calculated would be lower.

The University's policy, however, will be to use an employee's Notional Salary (their pay **before** deducting the salary exchange pension contribution) as the basis for calculating statutory redundancy pay.

## 13. If I choose salary exchange, will my payslip look different?

Yes. Your pension contribution will move from a deduction to a negative payment. This is because you will now be exchanging your pay for NIC savings. Please also note that the Salary Exchange deduction is higher due to the fact that in Non-Salary Exchange, the tax relief is taken at source, directly reducing the contribution value. For Salary Exchange, the deduction reduces taxable pay, therefore less tax is paid. Please see the example payslips below showing the payslip differences.

### Non-Salary Exchange

Payments		Deductions	
Salary	£1,938.00	Tax	£132.60
		NI	£71.20
		CRSP 3%	£46.51
Total Payments	£1,938.00	Total Deductions	£250.31
		Net Pay	£1,687.69

### Salary Exchange

Payments		Deductions	
Salary	£1,938.00	Tax	£120.97
CRSP SE 3%	-£58.14	NI	£66.55
Total Payments	£1,879.86	Total Deductions	£187.52
		Net Pay	£1,692.34

## 14. If I leave employment within two years, can I reclaim enhanced contributions?

No. If you exchange salary in return for enhanced employer contributions, you no longer make personal pension contributions and so there is nothing to recover.

## 15. What if I am seconded to work abroad?

If you are seconded to work abroad maintaining your monthly pay through the University of Nottingham UK payroll system, you will continue to be eligible to remain in the salary exchange arrangement with the Legal and General. If you are seconded into a role where pay is processed by another payroll provider, you may not be eligible to remain in the CRSP salary exchange arrangement.

## 16. How long will the salary exchange last?

We intend to maintain the salary exchange scheme for as long as the NICs saving are available. However, we may end the arrangement in certain circumstances (for example, if there are changes to tax, NI contributions or pensions laws).

**If you have any questions not answered here, please contact**  
[CRSP@isio.com](mailto:CRSP@isio.com) or call 0800 122 3210

