

## Salary Sacrifice Scheme

### **EMPLOYEE GUIDE TO NORTHUMBRIA UNIVERSITY SPORT MEMBERSHIP OF NORTHUMBRIA UNIVERSITY SPORT THROUGH SALARY SACRIFICE**

#### **What is Sport Central?**

Sport Central is the University's new purpose built sports facility. Primarily to enhance the sports facilities for students and enhance the overall student experience, the complex will also be open to staff and the general public. In addition, we hope to attract world class and elite athletes to use our facilities.

#### **Who can become a member?**

Northumbria University Sport Membership is open to all employees of the University of Northumbria at Newcastle ("the University"). Employees have the choice of paying for their monthly membership through an annual salary sacrifice arrangement (the "salary sacrifice scheme"), which allows the price to be kept competitive. Alternatively, employees can pay for their membership either in one lump sum or by monthly direct debit.

#### **What is salary sacrifice?**

Salary sacrifice is where an employee agrees to give up part of their annual salary for an agreed period of time (in our case one calendar year). A key requirement for an effective salary sacrifice is that the employee agrees to the reduction in their annual salary before they are entitled to it and before any agreement is entered into for the Northumbria University Sport membership.

#### **How does the salary sacrifice scheme work?**

Employees of the University who would like to take advantage of the salary sacrifice scheme will be required to indicate to the University that they would like to join the scheme (there is a separate form to enable employees to do this). As part of the requirements of the scheme is that you will be required to sacrifice part of your salary in exchange for Northumbria University Sport Membership, you will need to give up part of your salary (See later section on "salary sacrifice"). The fees claimed through the salary sacrifice scheme are 12 monthly debits at the applicable rate for the membership type chosen.

#### **What are the benefits of salary sacrifice?**

Salary sacrifice is an accepted method of varying your terms and conditions to ensure your salary package can be made as flexible as possible. By allowing you to agree to reduce your salary in exchange for the provision of membership the costs of the membership are effectively taken from your gross salary (i.e. pre-tax and national insurance). The result is that the membership costs you less.

#### **What memberships are available through the salary sacrifice scheme?**

The following monthly memberships are available – current prices are listed separately on our website:

- North Membership

Please note, due to the requirements of salary sacrifice, only monthly memberships for those listed above are available through the salary sacrifice scheme. For salary sacrifice to work effectively,

individuals must make a commitment to be part of the salary sacrifice scheme for a minimum of one calendar year. The

Salary Sacrifice Scheme makes an automatic deduction from your salary payment every month.

Please note that it is the published monthly membership rate that is deducted. This is shown on your pay slip. The saving to you results from the reduction in tax and NI payable.



### **Can I apply to join the scheme at any time?**

While an application form can be submitted at any point, the actual membership will commence from the 1st of the month indicated on the application by the member and verified by Northumbria University Sport staff. Northumbria University Sport recommends that applications are submitted in good time before the month in which a member wishes to join in order to ease the administrative process. Applications can be submitted after the 1st of the month up until the standard deadline date, however, in doing so a member will still be required to pay for the full months' membership and the days lost cannot be carried over after the end of the 12-month term.

### **How will joining the salary sacrifice scheme affect my Terms and Conditions of employment?**

Once you have joined the scheme you will agree to sacrifice (or reduce) your salary. By joining the scheme and agreeing to the salary sacrifice you will have agreed to an amendment to your terms and conditions of employment as follows:

1. The University will reduce your contractual gross pay by a sum equivalent to the amount you have decided to sacrifice up to the value of the membership you intend to choose; and
2. The University will provide you with the required membership. This amendment will continue until either:
  - a) A "lifestyle change" (see below) occurs and you instruct the University that you wish to cease your membership. Your instruction must be given to the payroll department within one month of the change occurring and the change will be reflected as soon as possible.

A "lifestyle change" is

- i) Birth or adoption of a child;
- ii) Notification to the University of pregnancy;
- iii) Marriage or registration of your civil partnership;
- iv) Returning from maternity leave;
- v) Divorce or separation, or dissolution of your civil partnership;
- vi) Death of a spouse, partner or child;
- vii) A change in your contractual working hours of at least 20%;
- viii) Your earnings reducing to below the NIC primary threshold;
- ix) Your spouse or partner being made redundant; or
- x) Absence due to sickness leave which causes you to be in receipt of statutory payments.

b) A lifestyle change occurs and the University is required to automatically opt you out of the salary sacrifice scheme. This will only apply where lifestyle change (x) above occurs.

c) Participating in the salary sacrifice scheme would cause your earnings to fall below the National Minimum Wage.

d) You:

- i) Are formally seconded to another employer; or

ii) Take special leave; or

iii) Take a sabbatical; or

iv) Otherwise cease to be paid by the University for a period of time with the intention of returning to duties in the future. In these circumstances the University may at its own discretion automatically opt you out of the scheme until your duties with the University resume and payment to you by the University recommences.

e) Your employment with the University ceases; or

f) There are any Government, legal or any other changes which result in the University deciding to (or having to) withdraw this arrangement.

3. In the event that such a change occurs, the University will (if you remain in the University's employment): a) Increase your contractual gross salary; b) Cease to provide the membership through salary sacrifice and you will continue to pay monthly membership fees out of your net salary.

4. If you opt out of the salary sacrifice scheme as a result of a lifestyle change or are automatically opted out under 2(b), 2(c) or 2(d) above, you will not be permitted to re-join the scheme until the following year.

5. If you participate in the salary sacrifice scheme you will retain a "Reference Salary" which is equal in value to the amount that your contractual basic pay would be had you not participated in the salary sacrifice scheme. All references to basic pay, or gross pay, with the University's policies and similar documents should be construed as being in respect of reference salary, unless otherwise specified.

### **Will joining the salary sacrifice scheme affect my state benefits?**

#### **Basic State Pension (BSP)**

The salary sacrifice scheme will not affect your BSP unless your gross earnings fall below the Lower Earnings Limit (LEL) for NIC as a result of participating in the salary sacrifice scheme or any other salary exchange arrangement (such as childcare vouchers and Cycle to Work). For tax year 2010/2011 the LEL is £97 per week or £420 per month (£5,044 per year).

#### **State Second Pension (S2P, formerly 'SERPS')**

Most stakeholder members are contracted in to S2P. Therefore (unless you have privately elected to contract out of S2P) participation in the salary sacrifice scheme could result in a small impact to your S2P entitlement. Contracted in to S2P (contribution letter 'A' shown on your payslip) S2P entitlement depends upon the level of an employee's earnings.

If earnings after the salary exchange are between £5,044 and £13,900 per year (2010/11 rates), employees are treated as earning £13,900 for S2P for employees who have pre and post exchanged earnings between £5,044 and £13,900 (using 2010/2011 rates).

For any employees earning more than £40,040 per year (£3,337 per month) after any salary exchange, entitlement to S2P will not be affected (using 2010/2011 rates).

For employees earning between £13,900 and £40,040 per year (in 2010/2011) after any salary exchange, there could be a small reduction in S2P entitlement as a result of participating in the salary sacrifice scheme.

If you are concerned about this aspect of the salary sacrifice scheme, we would recommend that you seek independent financial advice or contact the Pension Service helpline on 0845 606 0265.

### **Statutory Maternity Pay**

There may be a small reduction in your maternity pay if you continue to make payments as part of the salary sacrifice scheme. You will have the option to opt out of the salary sacrifice scheme on becoming pregnant although there is a reason why you may not wish to do so. This is explained below.

Statutory Maternity Pay is calculated by reference to your earnings during an 8-week period commencing 23 weeks prior to the Expected Week of Childbirth. You will need to consider opting out of the salary sacrifice scheme before the commencement of this 23-week period in order to avoid reduction in your Statutory Maternity Pay. Statutory Maternity Pay is payable partly as a variable element and partly as a fixed element.

#### **Variable element**

The variable element of Statutory Maternity Pay is paid for the first 6 weeks of maternity leave. It is calculated as 90% of your earnings, calculated based on average weekly earnings i.e. earning after the salary sacrifice scheme adjustment. It is therefore possible that the variable element of Statutory Maternity Pay could be affected by participation in the salary sacrifice scheme if you do not opt out early enough.

#### **Fixed element**

The fixed element of Statutory Maternity Pay is payable after the first 6 weeks for up to 33 weeks at a fixed rate of a maximum of £124.88 per week (2010/11 figures). Participation in the salary sacrifice scheme will not affect entitlement to the fixed rate of Statutory Maternity Pay unless your average pre-tax weekly earnings (after any salary exchange) during the 8-week period used to calculate these payments are less than £136.73 (using 2010/11 figures). The fixed rate of Statutory Maternity Pay will be 90% of your average pre-tax weekly earnings if your average pre-tax average weekly earnings (after the salary sacrifice scheme and any other salary sacrifice schemes) are less than £136.73.

### **Opting out of the salary sacrifice scheme**

You can opt out of the salary sacrifice scheme at least 23 weeks before your Expected Week of Childbirth (by approximately the start of the 17th week of your pregnancy) if you are concerned about the effect of participating in the salary sacrifice scheme on your maternity pay. Please note that processing your opt-out request will not be instant and will be affected by payroll deadlines. We therefore recommend that you opt out as soon as possible after discovering that you are pregnant if you are concerned about any potential reduction in SMP.

If you do not opt out and therefore continue as part of the salary sacrifice scheme throughout your maternity leave, you will continue to have access to the Sport Central facilities from the University during any period of maternity leave even though it will not be possible to process the adjustment from your salary (as it is not possible to salary sacrifice statutory payments such as Statutory Maternity Pay). Therefore, whilst your Statutory Maternity Pay could be lower by not opting out, the

salary sacrifice scheme contributions will continue, which will mean that many employees will be in a better position overall if they do not opt out on pregnancy.



### **Statutory Adoption Pay**

Statutory Adoption Pay is calculated in the same way as the fixed element of Statutory Maternity Pay. The potential impact of the salary sacrifice scheme on Statutory Adoption Pay is exactly the same as the position detailed under Statutory Maternity Pay 'Fixed Element' except that Statutory Adoption Pay is payable for up to 39 weeks at the fixed rate of £124.88 per week (2010/11 figures) with no variable rate payable.

### **Eligibility for Statutory Maternity Pay and Statutory Adoption Pay**

One of the eligibility requirements to enable you to receive Statutory Maternity Pay and Statutory Adoption Pay is that your average earnings during the 8-week period used to calculate these payments is not less than the LEL for NIC (£97 per week, £421 per month or £5,044 per year in 2010/11). We recommend that you do not participate in the salary sacrifice scheme if doing so could cause your earnings to fall below this level.

### **Other State Benefits**

Entitlement to most other state benefits (such as sick pay, incapacity benefit and job seekers' allowance) is determined by the length of time in which you are treated as having paid NIC, rather than the amount paid. Provided that your pre-tax earnings after the salary sacrifice scheme adjustment (and any other salary sacrifice) exceed the LEL for NIC (in tax year 2010/11 this is £97 per week or £421 per month), the level of benefit you are entitled to receive will not be affected. We recommend that you do not participate in the salary sacrifice scheme if doing so would result in your earnings falling below £6,500 per year.

If your earnings are less than £6,500 per year it may be in your interests to consider not joining the salary sacrifice scheme. If you participate in the scheme and then experience a lifestyle change, causing your earnings to reduce by more than 20%, or to reduce below the Primary Threshold for NIC, you will be permitted to opt out of the salary sacrifice scheme under the Lifestyle Changes provisions (explained previously).

Further advice

The University cannot offer any individual financial advice and we suggest you contact an independent financial adviser (IFA) if you are concerned about how the salary sacrifice scheme might affect your benefits. If you do not have your own financial adviser, the following organisations can help:

- Association of Independent Financial Advisers on 02076281287
- [www.unbiased.co.uk](http://www.unbiased.co.uk) (for a list of independent financial advisers local to your area).

### **Frequently Asked Questions**

#### **1. Will my future salary increase be affected by participation?**

Future salary increases will be calculated on your reference salary. Participating in the salary sacrifice scheme will therefore not affect any increase.

#### **2. Will the salary sacrifice scheme affect the tax credits that I receive?**

The salary sacrifice scheme should have a positive impact on tax credits, although the effects may be minimal due to the level of salary sacrifice being restricted to the total annual membership cost over the 12-month period. As tax credits are based around individual circumstances we are unable to provide advice on the effects of salary sacrifice on tax credits. We recommend that you take independent advice if you wish to participate in the scheme.

**3. Will the salary sacrifice scheme affect repayment of my student loan?**

You will make slightly lower student loan repayments, because the amount you repay is calculated based on the same figures as your NIC, which will reduce under the salary sacrifice scheme. As usual, however, you can request to make additional voluntary repayments towards your student loan if you wish to do so.

**4. How will the salary sacrifice scheme affect mortgage reference letters?**

Mortgage reference letters will show your reference salary as will your payslip.

**5. Will any redundancy pay I receive be affected by the salary sacrifice scheme if I am made redundant?**

Your entitlement to Statutory Redundancy Pay will not be affected by the salary sacrifice scheme unless your gross weekly earnings (after the salary sacrifice scheme adjustments and any other salary exchange) are less than £380.

**6. Will the salary sacrifice scheme affect any University benefits I receive?**

Your University benefits are based on your reference salary and will not change under the salary sacrifice scheme.

**7. Will the salary sacrifice scheme affect my employer pension?**

The salary sacrifice scheme will affect the value of your pensionable salary. We recommend that you check with the rules of your scheme.

**8. Will the salary sacrifice scheme have any effect on my entitlement to the Basic State Pension?**

Provided that your earnings do not fall below the threshold for being treated as paying NIC (£97 per week for weekly employees, or £421 per month for monthly paid employees), your Basic State Pension will not be affected by the salary sacrifice scheme.

**9. What happens if I go on maternity leave?**

On learning that you are pregnant you will have the option to opt out of the salary sacrifice scheme under the lifestyle change provisions. If you do not opt out then the University will continue to provide you with access to the Sport Central facilities during any paid period of maternity leave (up to the end of your annual membership period) even though you may not be able to incur any salary sacrifice adjustment. The salary sacrifice scheme adjustment cannot be applied to statutory payments, such as Statutory Maternity Pay.

**10. What happens if I go on paternity leave?**

If you opt to receive 2 weeks Statutory Paternity Pay, participation in the salary sacrifice scheme will not affect entitlement to the Statutory Paternity Pay you receive unless your average gross weekly earnings (after any salary exchange) are less than £136.73.

**11. If I participate in the salary sacrifice scheme, will I be able to opt out later?**

You will be given the opportunity to opt out of the salary sacrifice scheme within one month of experiencing a lifestyle change.

**12. What is the definition of a lifestyle change?**

i) Birth or adoption of a child; ii) Notification to the University of pregnancy; iii) Marriage or registration of your civil partnership; iv) Returning from maternity leave; v) Divorce or separation, or dissolution of your civil partnership; vi) Death of a spouse, partner or child; vii) A change in your contractual working hours of at least 20%; viii) Your earnings reducing to below the NIC Primary Threshold; ix) Your spouse or partner being made redundant; or x) Absences due to sickness leave which cause you to be in receipt of statutory payments. If you experience this lifestyle change you will (if necessary in order to prevent an exchange of your statutory payment) automatically be opted out of the salary sacrifice scheme.

**13. Are there any employees who will be disadvantaged by the salary sacrifice scheme arrangements?**

There is a chance that you may be disadvantaged by participating in the salary sacrifice scheme if your earnings are near to the LEL for paying NIC. For tax year 2010/11 this means a gross salary of around £97 per week or £421 per month. To allow for future changes in the limit and provide a safety margin, we suggest that anyone earning under £6,500 per year should not participate in the salary sacrifice scheme.

**14. Why would falling below the NIC Lower Earnings Limit disadvantage me?**

Many state benefits (such as the state pension and Statutory Maternity Pay) are only paid to individuals who have been paying NIC for a certain period of time. Other than for State Second Pension purposes (where the effect for contracted in employees is very small) the amount of NIC paid is not important, simply that some NIC has been paid for a set period of time. Therefore if participation in the salary sacrifice scheme causes your pay to fall below the NIC LEL you will not be treated as paying any NIC. This will affect your eligibility for NIC related state benefits.

**15. What happens if I start to benefit from the salary sacrifice scheme but in the future I go part-time and my earnings drop below £6,500?**

You will be able to opt out of the salary sacrifice scheme under the provisions for lifestyle changes (see above). If your earnings drop below £6,500 and you want to consider opting out you should contact Payroll.

**16. Are there any employees who will not be entitled to participate in the salary sacrifice scheme?**

Unfortunately, the National Minimum Wage provisions do not recognise most benefits in kind as being 'wages'. Therefore, if the effect of the salary sacrifice scheme is to bring your earnings below the National Minimum Wage rate (from October 2013) is £6.31 per hour for individuals who are

aged 21 years or older then you will not be allowed to join the salary sacrifice scheme but you will be able to purchase your Sport Central membership without using salary sacrifice.



**17. Where can I go for further information?**

You should initially contact Daryl Dixon, the Northumbria University Sport Experience Manager who may be able to answer your question immediately, or, if not, find out the answer for you.

**18. How long will the salary sacrifice scheme last?**

The University is committed to the salary sacrifice scheme and providing the sporting facilities at best value. However, if tax, NIC or employment law changes, so as to affect the salary sacrifice scheme, the University reserves the right to withdraw it. If this happens, everything else remaining equal, the University will revert back to the current arrangements as far as is reasonable practical.