

INFORMATION ABOUT SALARY SACRIFICE SCHEMES

Salary sacrifice allows an employee to give up part of their pay in return for a defined non-cash benefit from their employer. This benefit is exempt of Tax and National Insurance which means a financial saving for the employee. Before you decide whether to take advantage of a salary sacrifice scheme however there are a few things you need to know about and to consider. This note is designed to help you do that.

What Salary Sacrifice Schemes does the University offer?

The University of Greenwich currently operates salary sacrifice with respect to the following:

- [Cycle to Work Scheme](#)
- Childcare voucher scheme (closed to new members from 4 October 2018)

How Does Salary Sacrifice work?

When you opt to sacrifice part of your salary to take advantage of one of the above schemes you are effectively choosing to take a reduction in salary in return for a tax-efficient benefit. This means that your gross salary is reduced for the duration of that salary sacrifice. You will receive confirmation of this change in the form of a contract amendment letter, and your pay slip will also show details of the monthly amount you have sacrificed and how your gross salary has been adjusted.

Please be aware that salary sacrifice involves a commitment on your part to enter into an agreement for a set period of time. It will not normally be possible to terminate that agreement early.

Because your gross salary has been reduced this may impact on certain state benefits you are (or may become) entitled to, as well as certain payments or contributions that relate directly to your employment by the University. Further details are set out below.

Your Pension

Local Government Pension (LGPS) and Teachers Pension (TPS) Schemes (LGPS): If you are a member of either the LGPS or TPS your contributions and entitlements will be unaffected by any salary sacrifice. Contributions will be deducted from your gross salary before the salary sacrifice meaning that your pensionable salary is unaffected (i.e. it is your gross salary that is pensionable).

Personal Pension Plans: Employees with personal pensions, or those paying AVCs, should seek independent financial advice as these may be affected by salary sacrifice.

State Pension: Entitlement to the basic state pension will be preserved so long as, after any salary sacrifice, you continue to earn more than the basic National Insurance Contribution lower earnings limit. Up to date details about NI rates and allowances can be found on the HM Revenue and Customs website (www.hmrc.gov.uk).

Members of most occupational pension schemes, including LGPS and TPS, are contracted out of the State Second Pension (or S2P). Therefore, as most staff are not included within S2P, there is no loss of entitlement. If you are within S2P however (perhaps because you are not within an occupational pension scheme), both your National Insurance contributions and your ultimate state pension entitlement could reduce.

Statutory Benefits

When you enter into a salary sacrifice arrangement you reduce the amount of National Insurance contributions that you pay. Your entitlement to some state benefits is based on your NI contributions, whilst others are based on the amount of your earnings. Salary sacrifice therefore might affect your current or future entitlement to benefits such as the following (this list is not exhaustive): Incapacity Benefit, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay, Statutory Sick Pay, Working Tax Credit and Child Tax Credit. In most cases any negative impacts will only occur if the amount of NI you pay falls below the 'lower earnings limit' for NI.

You are advised to seek further information about the implications of salary sacrifice in relation to statutory benefits from HM Revenue and Customs or an independent financial adviser.

Contractual Benefits

The University will use your gross (pre-sacrifice) salary for the purpose of calculating all salary-related benefits and payments, including overtime, bonuses, pension, and sick pay. Likewise, the University will quote your gross (pre-sacrifice) salary in any requests for mortgage references that it receives. You must be mindful however of the potential affect entering into a salary sacrifice scheme may have on future mortgage applications or on obtaining credit.

Pay awards and salary progression will be based on your gross (pre-salary sacrifice) salary. When you leave a salary sacrifice scheme, your salary will revert to the level that would have been appropriate had you not entered into salary sacrifice.

What happens if I leave the University?

If you leave University employment your salary sacrifice arrangements will cease. Any outstanding balances that may be owing to the University will have to be repaid in full.

Helpful links

- www.hmrc.gov.uk/specialist/salary_sacrifice.pdf
- www.hmrc.gov.uk/childcare/interaction-tc-cv.htm

DISCLAIMER: The information note reflects the University of Greenwich's understanding of the impact of salary sacrifice on statutory benefits and pension scheme membership as at 1st January 2009. If you are in any doubt about this information, or your own particular circumstances, you should consult an independent financial adviser.