

LSE

THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■



PensionPlus

SAUL



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LSE is introducing PensionPlus. This is a scheme that will allow National Insurance savings on pension contributions. This scheme has been implemented and is operating successfully in other major universities such as University of Oxford, University of Cambridge, Imperial College London and the University of Bath. The scheme is recognised by HM Revenue and Customs and will operate with HMRC approval. This booklet explains how PensionPlus will benefit you, how it works and aims to answer any questions you may have.

Frequently Asked Questions

We have set out below answers to some questions that you may have in relation to the introduction of PensionPlus and how it will affect you.

1 Why is The London School of Economics and Political Science introducing PensionPlus and how will I benefit?

SAUL have changed their rules to enable a transfer of pension payments from employee to employer.

The School is keen to take advantage of this change as it will allow employees to increase their take-home pay by reducing their National Insurance Contributions (NICs). The School will also benefit from lower employer's NIC savings. At present, AVC deductions are excluded from PensionPlus.

2 How does PensionPlus work?

Your current SAUL deduction will cease and be replaced with an increased payment by the School of 19 per cent (this is made up of your former member's contribution of 6 per cent contribution and the School's contribution of 13 per cent) and be paid directly to SAUL.

Your basic salary will be reduced by the same amount as your former member's contribution. As your pay is reduced your National Insurance will be lower thus saving you money.

The salaries used in your pension calculation will continue to be your original pensionable salary, therefore your SAUL pension at retirement will remain the same.



If you have any questions which are not covered by the information contained in the booklet, please contact **Fin.div.pensions@lse.ac.uk** or Jenny Casey on ext 7093. Please be aware that the Finance and Human Resources Divisions can provide information about the scheme but not general financial advice.



The increase in your take home pay under PensionPlus depends on your Annual Salary. The table below provides an indication of the annual NIC savings available to employees.

SAUL (6 per cent)

Annual Salary (£)	Annual Employee NIC saving (£)*
15,000	84.60
20,000	112.80
25,000	141.00
30,000	169.20
35,000	197.40
40,000	225.60

* These savings are based on NIC rates for 2009/10.

3 How will my salary be affected if I participate in PensionPlus?

From July 2009 PensionPlus will operate on the basis that all contributions (excluding AVCs) are paid by the School.

Therefore, with effect from 1 July 2009 your pension contribution will be reduced to nil. Your salary will be reduced by the amount of pension contributions that you previously paid into SAUL. The School will make an equivalent additional employer contribution to SAUL.

We will use the term 'Base Salary' to mean your basic salary before taking account of any PensionPlus adjustment and the term 'Adjusted Salary' to refer to your basic salary after the PensionPlus adjustment. Your final pension benefits will not be affected.

You can calculate your own saving at the Finance Division website:
www.lse.ac.uk/collections/financeDivision/pensions

Example 1

The example below shows an employee's payslip before and after PensionPlus on a £18,000 annual salary.

Payslip before PensionPlus

Date	30/04/09	Payroll Ref	000000	Name	MR AN EMPLOYEE	Week/Month No	01
Employer	LONDON SCHOOL OF ECONOMICS			Department	HR		
Pay Method	BACS	Tax Code	647L	Ni Number	AB123456C	Ni Code	D
HOURS	RATE	DESCRIPTION	VALUE	DEDUCTIONS			
		Basic Salary	1500.00		Income Tax	174.00	
					Natl Insurance	95.24	
					SAUL Contribn	90.00	
TOTAL PAYMENTS			1500.00	TOTAL DEDUCTIONS			359.24
Natwest			56-00-13 00000000	CUMULATIVES			
				Total Gross	1500.00		
				Taxable Gross	1410.00		
				Tax Paid	174.00		
				Employees NI	95.24		
				Employers NI	90.81		
				Pens'able Gross	1500.00		
				Ees pension	90.00		
				Ers pension	195.00		
				NET PAYMENT	1140.76		

Payslip after PensionPlus

Date	30/04/09	Payroll Ref	000000	Name	MR AN EMPLOYEE	Week/Month No	01
Employer	LONDON SCHOOL OF ECONOMICS			Department	HR		
Pay Method	BACS	Tax Code	647L	Ni Number	AB123456C	Ni Code	D
HOURS	RATE	DESCRIPTION	VALUE	DEDUCTIONS			
		Basic Salary	1500.00		Income Tax	174.00	
		SAUL PLUS	-90.00		Natl Insurance	86.78	
TOTAL PAYMENTS			1410.00	TOTAL DEDUCTIONS			260.78
Natwest			56-00-13 00000000	CUMULATIVES			
				Total Gross	1410.00		
				Taxable Gross	1410.00		
				Tax Paid	174.00		
				Employees NI	86.78		
				Employers NI	82.62		
				Ers pension	-485.00		
				NET PAYMENT	1149.22		

Basic Salary retained, will be quoted for financial references, such as mortgage application

Salary adjustment under PensionPlus identified as 'SAUL PLUS'

Income tax the same under PensionPlus

Employee NIC reduced under PensionPlus

Pension contribution (equivalent to the total contribution of 19 per cent) made by the School under PensionPlus

Net pay increases (by approx £8.46 pm/£101.52 pa) under PensionPlus due to NIC saving

Example 2

The example below shows an employee's payslip before and after PensionPlus on a £27,000 annual salary.

Payslip before PensionPlus

Date	30/04/09	Payroll Ref	000000	Name	MR AN EMPLOYEE	Week/Month No	01
Employer	LONDON SCHOOL OF ECONOMICS			Department	HR		
Pay Method	BACS	Tax Code	647L	Ni Number	AB123456C	Ni Code	D
HOURS	RATE	DESCRIPTION	VALUE	DEDUCTIONS			
		Basic Salary	2250.00		Income Tax	315.00	
					Natl Insurance	165.74	
					SAUL Contribn	135.00	
TOTAL PAYMENTS			2250.00	TOTAL DEDUCTIONS			615.74
Natwest 56-00-13 00000000				CUMULATIVES			
				Total Gross 2250.00			
				Taxable Gross 2115.00			
				Tax Paid 315.00			
				Employees NI 165.74			
				Employers NI 159.06			
				Pens'able Gross 2250.00			
				Ees pension 135.00			
				Ees pension 292.50			
				NET PAYMENT 1634.26			

Payslip after PensionPlus

Date	30/04/09	Payroll Ref	000000	Name	MR AN EMPLOYEE	Week/Month No	01
Employer	LONDON SCHOOL OF ECONOMICS			Department	HR		
Pay Method	BACS	Tax Code	647L	Ni Number	AB123456C	Ni Code	D
HOURS	RATE	DESCRIPTION	VALUE	DEDUCTIONS			
		Basic Salary	2250.00		Income Tax	315.00	
		SAUL PLUS	135.00		Natl Insurance	153.05	
TOTAL PAYMENTS			2115.00	TOTAL DEDUCTIONS			468.05
Natwest 56-00-13 00000000				CUMULATIVES			
				Total Gross 2115.00			
				Taxable Gross 2115.00			
				Tax Paid 315.00			
				Employees NI 153.05			
				Employers NI 146.78			
				Ees pension 427.50			
				NET PAYMENT 1646.95			

Basic Salary retained, will be quoted for financial references, such as mortgage application

Salary adjustment under PensionPlus identified as 'SAUL PLUS'

Income tax the same under PensionPlus

Employee NIC reduced under PensionPlus

Pension contribution (equivalent to the total contribution of 19 per cent) made by the School under PensionPlus

Net pay increases (by approx £12.69 pm/£152.28 pa) under PensionPlus due to NIC saving

If you think you may leave SAUL within two years of joining, and where a refund of your contributions would be your preferred option, participating in PensionPlus may not be advantageous to you. In this instance, you may not wish to join PensionPlus. Please see questions 17 to 19.

4 **How do I participate in PensionPlus?**

In order to participate in PensionPlus, the School will need to make amendments to your Terms and Conditions of employment. It is important that you understand and agree the changes to your pay. You will automatically be included unless the School believes you may not benefit from participation as intended, in which case you will be contacted separately, see 6 for more details.

5 **Will my Pensionable Salary remain the same?**

Yes. Your Pensionable Salary will continue to be calculated as it is at present and your final pension entitlement will be unaffected.

6 **Who can participate in PensionPlus?**

If you are currently a member of SAUL, you will be able to participate in PensionPlus. However you will not be able to participate in PensionPlus if the combined reductions of your existing Salary sacrifice schemes (ie, child care voucher and cycle scheme) and PensionPlus would bring your adjusted salary to below the National Minimum Wage. The National Minimum Wage is currently £5.73 (due to increase from 1 October 2009 to £5.80) per hour for somebody aged 22 or over, or around

£10,400 per annum for an employee working a standard 35-hour week. We will monitor pay levels and advise you if you are likely to be affected, and if your circumstances change and you think you might fall into this category you should contact **Fin.div.pensions@lse.ac.uk** or Jenny Casey on ext 7093.

7 **If I agree to participate in PensionPlus will it affect any other payments?**

No. All increases in your pay will continue to be based on your Base Salary. All of your salary related pay and benefits from the School eg, overtime will also be calculated on your Pre-PensionPlus Salary. However Statutory Maternity Pay may be affected (see Question 15).

8 **What about Death in Service and Dependant's Pension?**

These benefits are unchanged and will continue to be based on your Pensionable Salary which is not affected by PensionPlus.

9 **Will I still get the same pension at retirement?**

Yes. Your pension at retirement will remain the same by participating in PensionPlus. This is because your pensionable salary will still be used in the calculation of benefits.



10 Will participation in PensionPlus affect my overtime?

No. Any overtime you may receive will not be affected by your participation in PensionPlus. The hourly rate for overtime will be calculated on your Basic Salary and will therefore remain the same hourly rate as before.

11 Will PensionPlus affect the amount of tax relief I receive?

The tax relief you receive on SAUL contributions will not be affected.

12 Are there any circumstances where it may not be advantageous to participate?

It will not be advantageous for you to participate if any of the following apply to you:

- a) Your earnings are close to the Lower Earnings Limit (£4,940 per annum for 2009/10)
- b) If you plan to leave SAUL within two years and wish to claim a refund of contributions please see questions 17 to 19.

If either of the two categories apply to you, we will contact you. However, if you believe that you may fall into one of the above categories, please contact **Fin.div.pensions@lse.ac.uk** or Jenny Casey on ext 7093.



13 I am over the State retirement age and therefore do not pay NIC. Can I participate in PensionPlus?

Yes, you will be automatically included in the PensionPlus arrangement. If you are over the State retirement age (currently age 60 for women and 65 for men) you will not pay NIC on your earnings and as a result you will not benefit from any NIC savings by participating in PensionPlus. However the School will make a saving due to reduced employer NIC cost.

14 I pay NIC at the reduced married women's NIC rate. Will I benefit from NIC savings?

If you pay NIC at the reduced rate for married women and widows (applicable to those employees who made this election prior to 12 May 1977), you pay NIC at a reduced rate of 4.85 per cent (rather than 9.4 per cent) on earnings between £110 to £844 per week for 2009/10 (£5,715 to £43,875 per annum) and 1 per cent on earnings above £844 per week (£43,875 per annum).

You will still make NIC savings from participating in PensionPlus but your savings will be based on these rates rather than the amounts referred to elsewhere in this document. If you would like to discuss the potential level of NIC savings available to you in further detail, please contact **Fin.div.pensions@lse.ac.uk** or Jenny Casey on ext 7093.

You will still be able to remain in SAUL even if you decide PensionPlus is not for you. But you will not be able to take advantage of the NIC saving.

15 Will PensionPlus affect Maternity Pay?

No. The School provides occupational maternity pay (OMP) over and above Statutory Maternity Pay (SMP). Your eligibility and the level of OMP you will receive depends on your length of service and your terms and conditions of employment. Any OMP you are eligible to receive will be calculated on your Base Salary, therefore you will be no worse off. Unless you apply to opt out of PensionPlus under a lifestyle change event (see question 25), your salary will continue to be reduced by an amount equivalent to 6 per cent of your maternity pay, during any period you are in receipt of occupational maternity pay. This is on the basis that this does not reduce your Adjusted Salary to below SMP.

16 How will the PensionPlus be shown on my pay advice and tax documents?

You will see the reduction on your monthly payslip represented as 'SAUL PLUS'. Your P60 will continue to reflect your taxable salary. You must bear this in mind when using your P60 for a financial reference. Financial institutions usually recognise this type of arrangement and understand how this affects salary reporting. The School will be happy to provide financial references and will advise lenders of the amount of your Base Salary.

17 What happens to my contributions if I leave SAUL after I join PensionPlus?

If you leave the School and/or SAUL with two or more years' qualifying service there will be no change. You will have the choice of (a) deferred benefits or (b) a transfer value to another pension arrangement.

If you leave with less than two years' qualifying service you have similar options (deferred benefits or a transfer value). However, you will not have the option of a refund of your contributions in respect of the period after you joined PensionPlus because you will not be paying pension contributions.

18 What about a refund of contributions related to my pensionable service prior to PensionPlus?

Any contributions prior to PensionPlus can be refunded within the two year time limit. Once you participate in PensionPlus, any contributions after entry will not be refunded. Your contributions can be (a) transferred to another pension scheme or (b) paid as a retirement benefit.

19 Will PensionPlus impact on my Tax Credits?

No, participation in PensionPlus will not impact on any HM Revenue and Customs Tax Credits.

20 What about State pension benefits?

SAUL is currently contracted out of the State earnings related pension scheme known as the State Second Pension (S2P) and previously called SERPS. Your entitlement to basic state pension is unaffected by PensionPlus.

21 Will PensionPlus have any impact on my payments to the Child Support Agency (CSA)/Child Maintenance and Enforcement Commission?

Child maintenance payments to the CSA/Child Maintenance and Enforcement Commission are calculated with reference to your net income ie, your pay after the deduction of pension contributions, tax and NIC. Under PensionPlus your net income increases because you are paying less NIC and your child maintenance payments may therefore increase as a result.





If you decide to participate in PensionPlus you should notify the CSA of the change in your net income. Contact details for the CSA and further details can be obtained from the CSA's website at **www.csa.gov.uk**

22 Will my student loan repayments be affected?

If you are repaying a loan, taken out with the Student Loans Company, your repayments may be reduced slightly as a result of participating in PensionPlus. This is because your repayments are calculated based on your gross earnings, which will be reduced under PensionPlus.

23 Do I have to do anything to participate, eg, sign any forms?

No. You do not need to take any further action as you will be included automatically in PensionPlus. Unless you opt out of PensionPlus by 26 June 2009 we will determine that you have accepted the changes to your Terms and Conditions.

24 What if I do not want to participate in PensionPlus?

You can request an opt-out form from Human Resources Division which should be completed and returned by 26 June 2009 should you choose not to participate.

If you choose to opt out of PensionPlus you will still be able to participate in SAUL but will not be able to take advantage of the NIC savings resulting in an increase in take home pay which is achievable through participating in PensionPlus.

25 What if I change my mind or my circumstances change?

Whichever decision you make will stand until at least 30 June 2010. However on each anniversary date of the scheme you will have the opportunity to change your mind. An exception will be made if you experience a 'lifestyle change event'. These include notification or commencement of maternity leave and significant changes in working hours.

In these cases, and subject to the agreement of the School, you may opt in or out of PensionPlus at a time other than the usual 1 July anniversary date.



26 How long will the new arrangements last?

It is planned that PensionPlus will operate indefinitely. However, the School reserves the right to withdraw PensionPlus if, for example, tax, National Insurance or pensions law or practice changes, or it is no longer viable for the School to operate PensionPlus. In the event of changes in government legislation, the scheme will revert back to the original arrangement.

27 Who can I ask if I have any additional questions?

If you have any additional questions please contact **Fin.div.pensions@lse.ac.uk** or Jenny Casey on ext 7093.

28 Can I participate in PensionPlus if I already participate in other salary sacrifice schemes?

Yes. You will be able to participate in PensionPlus as long as the combined reductions of PensionPlus and your existing salary sacrifice schemes (ie, child care voucher and cycle scheme) do not bring your Adjusted Salary to below the National Minimum Wage (currently £5.73 per hour due to increase to £5.80 per hour from 1 October). We will monitor pay levels and advise you if you are likely to be affected.

29 It sounds too good to be true. What's the catch?

There isn't one, providing you don't fall into any situation where PensionPlus will not be advantageous to you, please see section 12. This scheme will make you better off each month from July 2009.



Glossary of terms

SAUL	<p>Saul Trustee Company.</p> <p>This is a final salary defined benefit pension scheme which is contracted out of the state second pension. The current contribution rate is 6 per cent of your pensionable salary.</p>
NIC	<p>National Insurance Contribution.</p>
PensionPlus	<p>LSE's salary sacrifice scheme for pension contributions. SAUL have changed their rules to enable a transfer of pension payments from employee to employer. This saves National Insurance Contributions both for yourself and the School.</p>
Salary Sacrifice Scheme	<p>An arrangement under which you give up the right to part of your pay by agreeing to a variation to your terms and conditions of employment, and you receive a non-cash benefit. LSE already operates salary sacrifice arrangements for Childcare and Cycle Scheme which have proved successful.</p>



Base Salary	Your annual salary as per the published salary scales plus any other elements of pay (pensionable and non-pensionable) prior to PensionPlus.
Basic Salary	Your annual salary as per the published salary scales.
Pensionable Salary	Any part of your pay that attracts SAUL contribution.
Adjusted Salary	Sum of your pensionable salary reduced by 6 per cent plus full value of any other elements of pay that are not pensionable.
Net pay	Your Adjusted Salary minus statutory PAYE and NIC deductions together with any other voluntary deductions (such as season ticket loan repayments).
Anniversary date	1 July. This is the date each year on which you can opt in/out of PensionPlus.
AVCs	Additional Voluntary Contributions. At present SAUL excludes these from PensionPlus.

This information can be made available in alternative formats, on request.

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Please contact **fin.div.pensions@lse.ac.uk**, or Jenny Casey on ext 7093.
Or visit the Finance Division website:
www.lse.ac.uk/collections/financeDivision/pensions/

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