



## University of Dundee Superannuation and Life Assurance Scheme (UODSS)

### Factsheet 6 – Salary sacrifice

When you join UODSS, you will be entered into the University's salary sacrifice arrangement automatically. Please contact the Pensions Office for details on how you may opt out.

This factsheet provides details on what salary sacrifice is, how it works and how it affects you.

#### WHAT IS SALARY SACRIFICE?

Under a salary sacrifice arrangement the University pays your contribution to the pension scheme on your behalf and reduces your salary by the same amount. Since your salary is reduced, so is the amount you pay in National Insurance Contributions.

#### National Insurance savings

The main benefit of any approved salary sacrifice arrangement is the savings you, and the University, will make on National Insurance Contributions. Since your salary no longer includes your pension contribution, which is paid by the University, a lower salary is used to determine your National Insurance Contributions. As a result, this leads to an increase in your take home pay.

#### Tax savings

Since your contributions are deducted before you are assessed for income tax you will also receive an immediate tax relief at your highest rate of tax. If you are paying tax at a rate of 20%, for example, you will save 20p in tax for every £1 you pay in pension contributions.

An example of the actual cost of your pension contributions each year through salary sacrifice is shown below:

Pensionable Salary	£20,000
Notional pension contribution (7.75%)	£1,550
Less tax relief	£310
Less National Insurance saving	£186
What it costs you	£1,054

Salary sacrifice schemes are widely used by UK employers as an effective way of enabling employees to pay for pension and other benefits (including nursery vouchers and 'bikes to work' schemes) because it leads to an increase in take home pay for most employees.

The Trustees and the University cannot give you financial advice. If you are not sure what's best for you, we strongly recommend you speak to an independent financial adviser (IFA). You can find a local IFA through the following website:

<http://www.unbiased.co.uk>

#### WILL MY BENEFITS BE AFFECTED?

You will not see a reduction in your benefits if you pay your contribution to UODSS through the salary sacrifice arrangement. Your salary before any salary sacrifice deduction will be the salary used to calculate your retirement, death and any other benefits payable under the Scheme.

#### AVCs

If you pay Additional Voluntary Contributions (AVCs) into UODSS then these will not be affected by the salary sacrifice arrangement.

#### REFUND RESTRICTIONS ON LEAVING UODSS

If you are part of the salary sacrifice arrangement, and you leave UODSS with less than 2 years' service, any refund of contributions will not include those paid on your behalf by the University under the salary sacrifice arrangement.

Instead, the University will make a payment to you outside of the Scheme to reflect the contributions you would have paid if no such arrangement existed.

#### IMPORTANT NOTE

This factsheet provides a summary of UODSS' salary sacrifice arrangement. However, your legal rights are governed by the Trust Deed and Rules of UODSS. If there are any differences between the Scheme Rules and this factsheet, the Rules will override the factsheet.

A copy of the rules can be obtained from the Pensions Office.

