

Flexible Benefits

Frequently Asked Questions – General

The purpose of this guide is to explain more about Flexible Benefits so that you are able to make the right choices. This is important because **participating in any of these benefits constitutes a change to your current terms and conditions of employment**. As such you are asked to carefully read this document so that you fully understand what is being proposed.

The first section of this guide provides answers to general queries that we anticipate you may have in relation to Flexible Benefits and the salary conversion arrangements. You will then find more detailed information about each of the individual salary conversion arrangements in the subsequent sections.

If you need more information about the Flexible Benefits Scheme please contact:

Peter Brookes (email: pensionsandbenefits@aston.ac.uk or ext 4582).

For information about pension aspects of the Flexible Benefits Scheme please contact Peter Brookes, Pensions Officer (email: pensionsandbenefits@aston.ac.uk or ext 4582).

Additional information about flexible benefits can be found on the Human Resources Website <http://www.aston.ac.uk/staff/hr/flexbenefits/>.

What are Flexible Benefits?

The Flexible Benefits Scheme is a way in which you can tailor your benefits package to meet your individual requirements as well as making tax and National Insurance Contribution (NIC) savings.

The tax and National Insurance savings are possible because the Flexible Benefits Scheme is delivered to you through an approved HM Revenue & Customs' scheme. This means that certain rules such as lifestyle event restrictions and enrolment limitations apply. We would expect any proposal to reduce your gross salary to trigger many questions. Therefore, this Frequently Asked Questions guide tries to answer some of the questions that you may have.

How does it work?

Flexible Benefits operates as a salary conversion agreement which essentially means that you convert some of your salary for the Flexible Benefits you have selected.

What Flexible Benefits are available?

The University is offering four Flexible Benefits –

- Pension Salary Conversion
- Childcare Vouchers (Closed to New Entrants)
- Cycle to Work Scheme
- Car Lease Scheme

Who is eligible?

Regularly paid employees can participate provided that after their salary has been adjusted they remain eligible to pay National Insurance contributions and their pay is above the National Minimum Wage.

What are the implications of participating in the scheme?

When you participate in the scheme you are agreeing to a change in your Terms and Conditions of Employment.

What if I don't want to participate in Flexible Benefits now but change my mind later on?

If you do not participate in Flexible Benefits straightaway, you may choose to participate at any time in the future.

What happens if I leave?

If you leave the University, all pay and benefits described in your contract of employment and in this document will cease.

What happens if I receive a pay increase?

All future pay rises will continue to be applied to your Base Pay (your original rate of pay before it is reduced by the value of the Flexible Benefit).

How can I check that overtime pay, etc. has been worked out and paid correctly?

Payment of overtime, etc. will continue to be calculated as it is now. Your pay advices will look slightly different as your Base Pay will be shown along with the weekly or monthly amounts of your salary conversions. Your Adjusted Base Pay amount (which is your salary after the Flexible Benefits has been taken into account) will also be shown.

What about if I am asking for a reference for a mortgage or a loan?

The University will advise lenders of your Base Pay and that you participate in Pension Salary Conversion. Whilst you have taken in effect a reduction in your salary, lenders are more

interested in your disposable income and should take into account the fact that no pension contributions, etc. are being deducted from your Adjusted Base Pay.

Will any other payments I receive from the University be affected?

All future pay rises will continue to be based on your Base Pay. All of your pay related benefits provided by the University will also be calculated on your Base Pay, including overtime, bonuses and all other elements of salary and benefits, so you will not lose out as a result of participating in Flexible Benefits.

What about State benefits?

Entitlement to some State benefits, such as statutory sick pay, incapacity benefit and job seekers' allowance, are based on the amount of National Insurance contributions that have been paid. Essentially, to be eligible for state benefits you need to pay at least a small amount of National Insurance Contribution and if you fall below the Lower Earnings Limit (LEL) these contributions will not be paid. Therefore, the University has decided that in order to participate in Flexible Benefits, your Base Pay (i.e. your salary before any salary conversions have been applied) should be at least equal to:

- £6,240 (the National Insurance lower earnings level for 2020-2021); plus
- the Pensions salary conversion;
- the value of any childcare voucher elections you make; plus
- the value of any cycle to work elections you make;

For example, If you participate in Pension Salary Conversion to the value of £370, plus £2,916 of childcare vouchers plus a cycle to the value of £750 your Base Pay must be at least £10,172.

Are there any National Minimum Wage implications?

Once you have made your elections your Adjusted Base Pay (i.e. your salary after any salary conversions have been applied) must not fall below the National Minimum Wage, which is currently based on £8.72 per hour (2020/21).

How will the University ensure that I can participate in Flexible Benefits without falling below the National Insurance Lower Earnings Level or the National Minimum Wage?

The selections that you make will be verified and if it is found that your participation takes you below the National Insurance Lower Earnings Level or the National Minimum Wage you will be advised accordingly.

Will Flexible Benefits affect Statutory Sick Pay (SSP)?

University Sick Pay will continue to be based on Base Pay.

As it is not possible to make a salary conversion from Statutory Sick Pay you can only continue to participate in the salary conversion during periods of sick leave, providing the amount of your

salary conversion does not bring your Adjusted Base Pay below your Statutory Sick Pay entitlement.

Will Flexible Benefits affect Statutory Maternity Pay (SMP)?

University Maternity Pay will continue to be based on Base Pay.

As it is not possible to make a salary conversion from Statutory Maternity Pay (SMP) you can only continue to participate in salary conversion during periods of maternity leave, providing the amount of your salary conversion does not bring your Adjusted Base Pay below Statutory Maternity Pay.

If you are eligible for University Maternity Pay, the SMP element will be based on your Adjusted Base Pay in accordance with statutory requirements. However, as the University provides maternity pay above the statutory requirements, your pay during a period of maternity leave will not be adversely affected by Flexible Benefits. If you are in receipt of University Maternity Pay, you should not be disadvantaged by maintaining your participation. This is because University Maternity Pay will be based on Base Pay.

If your pay reduces to Statutory Maternity Pay only, since it is not possible to make a salary conversion from statutory payments, no salary conversion will be applied if you receive Statutory Maternity Pay only.

If you do not qualify for University Maternity Pay, your Statutory Maternity Pay will continue to be calculated on the amount of average weekly earnings during the 8 week period, fifteen weeks prior to the expected date of confinement. As Flexible Benefits is a salary conversion arrangement this reduces the amount of your salary that is liable to NIC. Therefore, any salary conversion reductions in this 8 week period will reduce your entitlement to Statutory Maternity Pay. For this reason, it may be advantageous to you to opt-out of salary conversion before the 23rd week before your Expected Date of Confinement.

Does Flexible Benefits impact on Tax Credits?

If you are in receipt of Working Tax Credits (WTC), the calculation the credit is based on your taxable (P60) income. As participation in Flexible Benefits will reduce your P60 income, participation is likely to have a slight beneficial impact on your eligibility for WTC.

However, Child Tax Credit (CTC) is based on both your income and your childcare costs. Participation in the Childcare Voucher Scheme may therefore have a negative impact on your WTC/CTC claims as your childcare costs will be reduced.

Given the complexities involved in calculating entitlement to WTC and CTC, you should contact HMRC via their helpline (0845 300 3900) or visit the HMRC website for further information: <http://www.inlandrevenue.gov.uk/individuals/tmatax-credits.shtml>.

Will my University Pension Benefits be Affected?

There will be no change to the benefits offered under USS or Scottish Widows and these arrangements will not affect your existing or future pension entitlements. There is a difference in the arrangements for members who leave their pension scheme within two years of joining – please see the 'Pension Salary Conversion Questions and Answers' sheet if you are likely to be in this position.

Who can I ask if I have any additional questions?

Further information can be found on the Human Resources Website or by contacting Peter Brookes, Pensions & Benefits Officer on extension 4582.

IMPORTANT INFORMATION – PLEASE TAKE TIME TO READ

Aston University is obliged to advise you in writing of any change to your particulars of employment. By participating in Flexible Benefits, you acknowledge and agree that this constitutes a change in your Terms & Conditions of employment and this change will continue until you elect to withdraw from Flexible Benefits. By participating in Flexible Benefits you are also agreeing to the requisite reduction in your Base Pay and, accordingly, you are acknowledging that this requirement has been met in accordance with the provisions of section 4 of the Employment Rights Act 1996.

Do I have to participate in Flexible Benefits?

The University would like to emphasise that participating in the Flexible Benefits Scheme is entirely your choice.

Aston University reserves the right to amend the terms or terminate the salary conversion scheme in the future.

Pension Salary Conversion

Q&As

This document explains how Pension Salary Conversion works and aims to answer any questions you may have. Please note that all amounts shown in this document are subject to future changes in line with legislation.

Set out below are answers to some questions that you may have in relation to the Pension Salary Conversion and how the arrangement will affect you.

How does Pension Salary Conversion work?

You will stop making your normal pension contributions into your relevant pension scheme (The Universities Superannuation Scheme (USS) or The Scottish Widows Pension Scheme (SW)).

The University will pay an additional amount equal to your normal pension contribution directly into the pension scheme on your behalf.

Your contractual gross pay will be reduced by the amount that you used to pay into the pension scheme.

As a result, your take home pay will increase because you are paying less National Insurance contributions (NIC).

You can continue to make Additional Voluntary Contributions (AVCs) to the pension scheme under the existing arrangements.

If, as a member of SW or USS, I am not making any employee pension contributions as a result of participating in Pension Salary Conversion will I still get the same pension at retirement?

Yes, your benefits will be exactly the same. SW and USS benefits will continue to be calculated using "Pensionable Salary" and "Pensionable Pay" ignoring any Pension Salary Conversion.

Why has the University introduced Pension Salary Conversion?

The University is taking various actions to offer employees additional benefits and has considered how the cost of benefit provision can be reduced without detracting from the value of the benefit. The Pension Salary Conversion should result in members of the University's pension schemes paying less National Insurance contributions and therefore this means an increase take-home pay. The University will also make National Insurance savings as a result of this arrangement.

The increase in your take home pay under Pension Salary Conversion depends on your current eligible salary. The table below provides an indication of the annual NIC savings with effect from April 2008 available to employees currently making contributions of 6% to the Scheme.

Pay (£)	Annual Employee NIC saving (£)
20,000	144.00
25,000	180.00
30,000	216.00
35,000	252.00
40,000	288.00
45,000	324.00
50,000	360.00
55,000	66.00

How will this affect my pay?

Since 1 April 2008 both the USS and SW (formerly AUPS) pension schemes will operate on the basis that all regular contributions are paid by the University.

Therefore, you will no longer pay employee pension contributions. However, your pay will be reduced by the amount of pension contributions that you would have paid into the pension scheme. This is the 'salary conversion'. In exchange for this reduction in your pay, the University will make an additional equivalent employer contribution to the pension scheme.

Your pension and other benefits will continue to be based on your Base Pay. Base Pay is a term the University will use to mean your basic pay before taking account of any Pension Salary Conversion adjustment.

Example

The example below highlights the pre and post Pension Salary Conversion position of an employee earning £20,000 per year and contributing £1,200 (being 6% of Base Pay) per year into the pension scheme arrangements. Under Pension Salary Conversion the employee's Base

Pay remains at £20,000 although the amount they are paid via payroll to take account of the salary conversion adjustment becomes £18,800.

Pre Pension Salary Conversion		Post Pension Salary Conversion	
Basic pay	£20,000	Base Pay	£20,000
Less Pension Contribution	(£1,200)*	Less Pension salary conversion	(£1,200)
		Adjusted Salary	£18,800
less Income Tax	(£1,260)*	Less Income Tax	(£1,260)
less NIC	(£1,364)	Less NIC	(£1,220)
Net Take Home Pay	£16,176	Net Take Home Pay	£16,320

* No tax due on pension contribution. The employee's net take-home pay has increased by £144 per annum from £16,176 to £16,320 Total contributions to the pension scheme have remained the same.

What constitutes pay for the Pension Salary Conversion arrangements?

Pay, for the purposes of the Pension Salary Conversion will be your "pensionable salary". It is not affected by your participation in flexible benefits.

Am I eligible to participate in Pension Salary Conversion?

If you are currently making contributions to SW or USS you are eligible to participate in Pension Salary Conversion.

There is an amount of annual salary below which you must not fall, otherwise you will lose out on State Pension Benefits, and you may already be a member of other salary conversion arrangements, such as the scheme for childcare vouchers. Therefore, you must have a minimum salary of £8,632 pa plus the pension salary conversion (the notional employee contribution) and the amount of any other salary conversion benefits (e.g. childcare), to participate in Pension Salary Conversion.

Additionally, if your circumstances change and your earnings move close to the National Minimum Wage, then you may be advised that you cannot continue to participate in the flexible benefit arrangement. Your Adjusted Base Pay, less your salary conversion benefits, must not fall below this level. The National Minimum Wage is currently £8.21 per hour, or around £15,625 per annum for an employee working a standard 36.5 hour week.

If I participate in Pension Salary Conversion will it affect any other payments?

We will ensure that all future pay rises will continue to be based on your Base Pay. All of your pay related benefits provided by the University will also be calculated on your Base Pay, including overtime, bonuses and all other elements of salary and benefits.

What about Death in Service?

This benefit remains unchanged and will continue to be based on your Base Pay to ensure that you are not disadvantaged in any way.

What about refunds of USS or SW contributions if I leave or opt out of the pension scheme within two years of Joining?

The contributions paid during the period of Pension Salary Conversion will all be employer contributions, which are not refundable. If you leave or opt out of your pension scheme within two years of joining you will have a preserved pension entitlement for the Pension Salary Conversion period. You would also be able to have a transfer value paid to another pension scheme or arrangement. The only exception to this will be if you are a member of USS and opt out of the pension scheme within your first three months of joining. If you are likely to be in this position you should contact Peter Brookes, Pensions Officer ext.4582 for further information.

Will Pension Salary Conversion affect the amount of tax relief I receive?

No, the amount of tax relief received is unchanged. Under Pension Salary Conversion tax relief will continue to be reflected in the reduced amount chargeable to tax each month, so the overall amount of tax relief will be unchanged. Overall, you will be better off because you will save NIC on the salary you are giving up.

Do I have to do anything to participate, e.g. sign any forms?

No, you are contractually agreeing to a change in your Terms and Conditions of employment with the University.

If you wish to opt-out of this part of the scheme please obtain the 'opt out form' from Peter Brookes, Pensions Officer ext. 4582.

It must be returned to Peter to prevent the salary conversion affecting your pay from the start of the scheme.

You may opt out if a qualifying lifestyle event occurs. A qualifying lifestyle event includes marriage, notification of pregnancy, birth or adoption of child, divorce or legal separation, death of partner, spouse or dependant, going on / returning from long-term sickness, variation in contractual hours and pay being materially reduced.

If you do **not** want to be included in the Pension Salary Conversion scheme, you can **still** remain in the pension scheme under the current arrangements but you must elect to "opt-out" of Pension Salary Conversion.

Cycle to Work Scheme Q&As

Why is the University offering a bicycle under the Cycle to Work scheme?

This stems from a Government initiative to address congestion problems and encourage sustainable transport. By introducing a salary conversion scheme for the provision of bicycles, we can provide a bicycle for commuting and associated safety equipment free of income tax and national insurance.

Who can request a bicycle?

Cycle to Work is governed by HM Revenue & Customs' requirements and is open to employees aged 18yrs of age or over to comply with Consumer Credit Act legislation.

What are the eligibility rules?

The scheme allows the University to loan cycles and cyclists' safety equipment to staff as a tax free benefit, providing they use the cycle for journeys made between their home and workplace, or part of those journeys (for example, to the station), or for any business travel such as journeys between one workplace and another. More than 50% of the use of the cycle and safety equipment must be for qualifying journeys.

What is a qualifying journey?

A qualifying journey is one which is in whole or in part between your home and workplace, or between one workplace and another in connection with your performance of your duties of employment with the University.

Can I apply for more than one bicycle?

Yes, providing you use both for commuting to and from work. For example if you travel to work partially by train, then you could have one to commute between your home and another to travel from the train's destination to your work location.

Can I get a bicycle for my family member/child/partner etc?

No, the bicycle is for your use and must be suitable for commuting purposes

What value of bicycle equipment can I request?

You can request a 'Cycle to Work' voucher with a maximum value of £1,000. The voucher will be supplied by our provider, **Cyclescheme**. You will be able to visit any participating store to receive a quotation for cycle and safety equipment.

What happens if the cost of the bicycle is more than the voucher?

You may contribute additional money of your own to the total purchase price, but please remember the equipment will still remain the property of the University during the Hire Agreement.

What happens if the cost of the bicycle is less than the voucher?

Should the value of the bicycle and safety equipment chosen by you be less than the value of the voucher issued no reimbursement of the difference will take place. You should therefore consider your quotation carefully to ensure you select the correct value of voucher for your needs.

Can I claim business mileage allowance whilst using my bicycle?

No, business mileage cannot be claimed when using a bicycle through the Cycle to Work scheme.

What happens to the cycle at the end of the loan period?

The bicycle and safety equipment may be sold to you at the end of the term of the Hire Agreement by the University for a sum equating to a fair market value at that time. The circumstances and terms of the disposal are neither governed nor influenced by the Hire Agreement in any way whatsoever.

What safety equipment can be selected?

Cyclist's safety equipment including the following can be selected:

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns
- Lights including dynamo packs
- Mirrors and mudguards to ensure riders visibility is not impaired
- Cycle clips and dress guards
- Panniers, luggage carriers and straps to allow luggage to be safely carried
- Locks and chains to ensure cycle can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
- Reflective clothing, along with white front reflectors and spoke reflectors

Do I have to pay tax and NI on the benefit?

No, Cycle to Work is not a taxable, or subject to National Insurance, benefit provided you meet the terms of the Hire Agreement and will not be reported as a taxable benefit to the tax office.

What happens if I can no longer use the bicycle to commute to work?

If for any reason you can no longer use the cycle for qualifying purposes – i.e., more than 50% of its use being business travel, including commuting - during the period of the loan, it is your responsibility to inform the University of the reasons for this. This may be because you have become medically unfit or move home. If this is the case then the University will decide in its absolute discretion that you no longer adhere to the HM Revenue and Customs' rules for the scheme. If the University terminates the Hire Agreement in these circumstances, you will no longer be in possession of the cycle with the University's consent and you will be liable to pay an early termination charge to the University, which will not exceed a value equal to the outstanding monthly contributions. This early termination charge will be collected by the University in the month in which you become ineligible for the benefit. At the expiry or earlier termination of the Hire Agreement you should contact Peter Brookes ext 4582 for instructions on returning your cycle.

What happens if I leave?

If you leave the employment of the University before the end of the minimum Hire Term, you will be liable to pay an early termination charge to the University, which will not exceed a value equal to the outstanding monthly contributions. This early termination charge will be collected by the University from any remaining net salary payments due to you, but if you have insufficient net pay to cover this balance, you agree to provide the University with a cheque for the balance within 10 days of the University's first demand. At the expiry or earlier termination of the Hire Agreement you should contact Peter Brookes for instructions on returning your cycle.

How do I order my bicycle?

Find out how you can participate in the scheme, please visit the site of our on-line provider, www.cyclescheme.co.uk or telephone 01225 448933. If you do not have access to a personal computer please contact Peter Brookes ext. 4582 Human Resources for assistance

Do I have to insure my bicycle and equipment?

You will need to insure the bicycle for its retail value against loss, accidental damage and third party risks. You need to ensure that the cycle is maintained in accordance with manufacturer's recommendations to ensure validity of the insurance.

Is the University liable if I have an accident?

No, the University does not accept liability of any kind and disclaims all responsibility for any liabilities, losses, costs, expenses, damage, injury or other consequences arising out of or in connection with the provision of the cycle and/or 'Cycle to Work' arrangements.

When can I request the benefit?

You can request the benefit at any time.

What type of bicycle can I select?

The tax exemption defines a "cycle" as 'a bicycle, a tricycle, or a cycle having four or more wheels, not being in any case a motor vehicle' (192(1) of the Road Traffic Act 1988 (c.52)). An electrically assisted pedal cycle can be included under the scheme. In all cases the cycle must be suitable for an adult.

Childcare Vouchers Q&As

Why is the University offering childcare vouchers? (No longer available to new entrants)

The University recognise that employees with children often require flexible pre-school and out of-school childcare in a convenient location. Childcare vouchers allow you to choose your own childcare provider and assist in reducing your childcare costs. Childcare vouchers help to improve the working lives of employees, helping you to balance work with caring responsibilities.

How does the scheme work?

You can choose to take childcare vouchers up to the value of £2,916 p.a. per person as part of your remuneration package, as long as your Adjusted Salary (after the salary conversion) is not reduced below the National Minimum Wage (presently £299.67 per week or £15,625 annually, based on a 36.5 hour week). If you elect to accept Childcare vouchers as a portion of your salary, you will not have to pay National Insurance Contributions (NIC) or Tax on up to £55 per week on the vouchers.

How much money can I save if I take childcare vouchers?

From 1 April 2008 you will save Income Tax and National Insurance (NIC) on childcare vouchers up to £55 per week maximum. The amount of money you can save depends on whether you pay tax at the basic rate or the higher rate, and on the rate of National Insurance that you pay. As an indication, if you elect for the maximum vouchers the savings you would achieve would be:

Basic rate taxpayers paying 12% NIC	– can save up to £933 per annum
Higher rate taxpayers	– can save up to £1,196 per annum

How will I receive the vouchers?

If you contact Computershare 0345 002 1111 they will inform you of the options available. Options include electronic and paper vouchers.

Who can take part in this scheme?

The scheme is open to all regularly paid University's employees. You must have parental responsibility for a child, so the child may be your own, a stepchild or a child adopted by you.

Who can I pay with childcare vouchers?

Childcare vouchers can be used as full or part payment for any of the following forms of registered or approved childcare:

- Day nursery
- Nursery school
- Childminder
- Crèche
- Pre-school
- Nanny
- Au Pair
- Out of School Club
- Holiday Play Scheme

To benefit from the Income Tax and NIC exemption your chosen childcare provider must hold either a current registration certificate with an OFSTED reference number or an approval certificate with an expiry date and reference number.

You may not use the Childcare Vouchers you receive to pay a child carer who is a relative of the child for care in the home of the child, for example a parent or grandparent.

Childcare vouchers can be claimed for children up to what age?

Childcare vouchers can be used to pay for the care of children up to the age of 15 (until 1 September following their 15th birthday) or the age of 16 if they are disabled (until 1 September following their 16th birthday).

What happens if my childcare costs vary from month to month (e.g. I have school-age children who only require childcare during the school holidays)?

You do not need to use the vouchers in the month you receive them; you can save them up for periods when you will have higher childcare costs. Calculate the total annual amount you spend on childcare in a year and divide by 12 to work out the average monthly amount you pay on childcare to provide a guide for the amount of childcare vouchers you wish to apply for, subject to the £ 2,916 p.a. limit.

Can I use vouchers for more than one childcare provider (e.g. I use a childminder and a holiday playscheme)?

Yes, parents often need to combine different types of care.

What does my carer have to do to register for vouchers?

Your carer can either use the Computershare online application form or download the Voucher Redemption Agreement by logging onto their website at www.computersharevoucherservices.com. Alternatively your carer can call Computershare on Freephone 0845 002 1122 for further information.

What effect will the vouchers have on Working Tax Credit or Child Tax Credit?

Our provider Computershare will explain this to you when you register.

What happens if I go on maternity leave to have another baby?

This is regarded as being a 'lifestyle event' and you can decide either to leave the scheme and stop receiving childcare vouchers, or to change the value of vouchers you receive. It is not possible to convert from Statutory Maternity Pay therefore you will only be able to receive childcare vouchers under the salary conversion arrangement to the extent that the salary conversion does not bring your Adjusted Base Pay below Statutory Maternity Pay. If you decide to take unpaid maternity leave as well, then you can no longer continue to receive childcare vouchers, under salary conversion, as you are unable to choose to take some of your salary in childcare vouchers once you are no longer receiving any salary.

Statutory Maternity Pay is calculated on the amount of average weekly earnings during the eight-week period, fifteen weeks prior to the expected date of confinement. A salary conversion arrangement will reduce the amount of salary that is liable to national insurance contributions. Therefore, any salary conversion entered into in the 8-week period will reduce entitlement to Statutory Maternity Pay.

For further information please contact Peter Brookes, Pensions & Benefits Officer, Human Resources (email: p.c.brookes@aston.ac.uk ext 4582).