

## PensionSMART : Supplementary Terms and Conditions of Employment for participants

1.1 PensionSMART is an arrangement whereby employees of Imperial College London (“the College”) can save national insurance contributions (NICs) by agreeing to an amendment to their terms and conditions of employment. It relates to contributions to the following pension schemes (the Pension Schemes):

- Universities Superannuation Scheme (USS)
- Superannuation Arrangements of the University of London (SAUL)

1.2 This document, which constitutes an amendment to the employee’s terms and conditions of service, must be read in conjunction with the general guidance material and Frequently Asked Questions concerning [salary sacrifice](#) and the FAQs relating specifically to [PensionSMART \(FAQS\)](#). Expressions used in this document are defined in the section headed PensionSMART Terminology.

### Salary Sacrifice (or Salary Exchange)

2.1 By participating in PensionSMART, the employee agrees to forego the percentage of their salary equivalent to the standard member contribution to the relevant pension scheme, in exchange for which the College as employer will make a contribution which is equivalent to the sum of the normal employer’s contribution and the salary foregone by the employee. This arrangement is known as Salary Sacrifice or Salary Exchange. The percentage contributions of the Pension Schemes are set out here.

**Table of standard member contribution rates and employer’s contribution rates**

	<b>A</b>	<b>B</b>	<b>C</b>
Pension scheme	Percentage by which the salary of PensionSMART participants will be reduced. This is equivalent to the “standard member contribution” in literature published by the pensions schemes	Percentage of salary which the employer would ordinarily contribute to the pension scheme (i.e. for employees not in PensionSMART). This is referred to as the “employer’s contribution” in literature published by the pensions schemes	Total contribution made by the College on behalf of PensionSMART participants. This is equivalent to the sum of the “member’s” and the “employers” contributions.
<b>Effective from 1 April 2016</b>			
SAUL	6%	16%	22%
<b>Effective from 1 April 2019</b>			
USS	8.8%	19.5%	28.3%

2.2 [Ready reckoners](#) are provided on the web-site to enable you easily to see the effect of the salary adjustments referred to above.

### Additional Voluntary Contributions

2.3 In certain circumstances, the Pension Schemes also allow employee’s additional voluntary contributions (AVCs) to be made through salary sacrifice arrangements such as PensionSMART. Where this is permitted, the salaries of employees who choose to make

such contributions will be reduced by the percentage of Pensionable Salary chosen for the permitted AVC, in exchange for which the College will make an equivalent contribution to the relevant pension scheme.

### **Variation in contribution rates**

3.1 The percentages shown above apply from the date indicated until further notice. Changes are rare but are occasionally made by the relevant pension scheme trustees, after consultation with members and employers. In any such case, proper notice will be given to members, who will have the right to opt out of PensionSMART or of the pension scheme itself, if they wish.

### **Enrolment in PensionSMART**

4.1 If you join one of the pension schemes referred to above, you will automatically be included in the PensionSMART arrangements, unless you opt out as described below.

### **Opting out**

5.1 If you would prefer to opt out of PensionSMART, you must either

- indicate this when first joining the pension scheme; or
- complete an opt-out form before the PensionSMART annual anniversary date of 1st December; or
- indicate that you wish to opt out within three months of a “lifestyle event” occurring (see PensionSMART FAQs).

5.2 Opt-out forms are available from [pensions@imperial.ac.uk](mailto:pensions@imperial.ac.uk)

### **Other terms and conditions of service**

6.1 Your terms and conditions of service can be found in your Letter of Appointment or Contract of Employment, the Core Terms and Conditions of Service, any Terms and Conditions relevant to your job family (which can be found on the College's web-site), and any other special terms which may have been notified to you from time to time.

6.2 Your terms and conditions of service are unaffected by participation in PensionSMART, except to the extent contained in paragraphs 1 to 5, above.

### **Pay reviews**

7.1 Reviews of your Basic Salary and any other pay elements to which you are entitled will be carried out from time to time. Should your rate of pay change as a consequence of such a review, you will be advised of your revised rate of Reference Salary.

7.2 By using the ready reckoners provided on the College web-site you will easily be able to see the new amount of your PensionSMART Salary following any such change in pay rates.

## **NIC savings**

8.1 The amount of NICs which you save as a result of participation in PensionSMART do not depend solely upon your Pensionable Salary and the pension scheme of which you are member. They will also be affected by changes in the rates and/or thresholds for NICs. Whenever such changes occur, a fresh set of Ready Reckoners will be published on the College web-site. If you also participate in other salary sacrifice schemes, it is the aggregate of all such sacrificed sums which determines the amount of tax and national insurance you will pay. Please refer to the general guidance material and Frequently Asked Questions concerning [salary sacrifice](#) .

## **Overtime, etc.**

9.1 If you are entitled to additional pay for overtime working, shift allowances, “on-call” and similar pay supplements, these will be calculated by reference to the relevant Reference Salary values.

## **Sick Pay, Maternity Pay, Paternity/Maternity Support Pay and/ Shared Parental Pay**

10.1 In accordance with Government requirements, the calculation of Statutory Sick Pay and Statutory Pay for family leave (i.e. Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP), Ordinary Statutory Paternity Pay (OSPP) and Statutory Shared Parental Pay (ShPP)) will be based on your Adjusted Salary. All such Statutory payments are not reduced under PensionSMART.

10.2 The College’s policy documents for Maternity Leave, Paternity/Maternity Support Leave and Shared Parental Leave set out eligibility for College pay on top of the statutory entitlements. During periods when you are receiving College pay, PensionSMART will continue to operate to the extent that College (i.e. non-statutory) pay is available to be reduced in accordance with paragraph 2.1, above.

10.3 Throughout the period of paid family leave (whether you are receiving College pay or statutory pay only), the College will maintain standard contributions to the pension scheme (both employer’s and employee’s) at the level required by your Reference Salary. In periods of unpaid leave all pension contributions will cease entirely.

10.4 On returning to work, following a period of family leave there is no need for you to take any action in relation to PensionSMART. You will automatically be re-instated onto the scheme, unless you have chosen to opt out.

## **Holiday Pay**

11.1 Any holiday pay which you are entitled to receive in cash on leaving the College's employment will be calculated on your Reference Salary (and other pay elements if appropriate), but, if you remain a member of the pension scheme, will be subject to the same reduction as is described in paragraph 2.1, above.

## **Discontinuance or amendments to PensionSMART**

12.1 The College reserves the right to amend or discontinue PensionSMART should it judge this appropriate, taking into account such matters as it may consider relevant from time to time including changes to UK tax and NIC legislation. In any such case, proper notice will be given to participants, and, in the case of amendment, participants will be given the right to opt out at that point if they wish.

## **PensionSMART Terminology**

The following terms are applicable to PensionSMART. They are also used in the FAQs and, where relevant, in Contracts of Employment.

### Reference Salary

This term is used to describe the rate of Basic Salary and/or of any other pay components **before** the reduction described in column A of the table in paragraph 2.1 has been applied.

### PensionSMART Salary

This term is used to describe the rate of Basic Salary and/or of any other pay components **after** the reduction described in column A of the table in paragraph 2.1 has been applied.

### Pensionable Salary

The term “Pensionable Salary” refers only to pay components which count for pension purposes. It comprises the sum of basic salary plus any other pensionable pay elements to which you are entitled **before** the reduction described in column A of the table in paragraph 2.1 has been applied. It does not include Non-pensionable pay elements.

### Basic Salary

The statement of terms and conditions in your contract of employment with the College sets out the salary scale for your grade, and within them your Basic Salary, or it refers to a fixed salary which is personal to you. (In many employment offer letters it is referred to simply as “salary” because this is your only contractual pay entitlement.) It is always referred to on payslips as “Basic Salary”. Rates of Basic Salary will continue to be referred to in correspondence and in published sources such as the College web-site by their normal, unadjusted values (i.e. as Reference Salary).

### Other Pensionable Pay Elements

In addition to Basic Salary, some employees receive additional earnings components which count towards their pension. Examples include London Weighting Allowance (for those employees still remaining on the national pay scales), various honoraria and allowances for special duties, shift allowances and “on-call” supplements. Under PensionSMART, your salary is reduced in the manner described in paragraph 2.1 (column A of the table), and in return an equivalent amount will be paid by the College as an employer pension contribution (as in column C of the above table). All such pensionable pay elements will continue to be referred to in correspondence and in published sources such as the College web-site by their normal, unadjusted values (i.e. as Reference Salary), notwithstanding your participation in PensionSMART.

### Non-pensionable pay elements

A few employees also receive non-pensionable components within their total pay. Examples include monthly supplements for functions which are wholly unrelated to their duties for the College, but which are nevertheless paid through the College payroll system (e.g. for acting as branch secretary to a learned society, or for work in support of private clinical practice or external consultancy work).

All bonuses also fall into this category, as do taxable re-imbursment of expenses, for example relocation expenses over £8,000.

Non-pensionable pay elements are not affected in any way by participation in PensionSMART and will appear on payslips separately.

### Adjusted Salary

Your Adjusted Salary is your PensionSMART Salary (i.e. the sum of your Basic Salary and Other Pensionable Pay Elements reduced by the relevant percentage indicated at paragraph 2.1 above), plus any Non-pensionable pay elements you may receive. The latter are unaffected by participation in PensionSMART.

PAYE and NIC will be calculated on your Adjusted Salary. These statutory deductions, together with some other statutory and voluntary deductions (e.g. season ticket loan repayments) are deducted from your Adjusted Salary to produce your 'net' take home pay.

### Deferred Benefits

This is when you leave the pension scheme before your retirement date and your benefits remain within the pension scheme. Your basic pension and lump sum are calculated at your leaving date and indexed to retirement in accordance with the pension scheme rules. PensionSMART has no bearing on this.