

19th August 2011

Dear

THE UNIVERSITY OF SUSSEX – SALARY EXCHANGE

INTRODUCTION

1. As a member of the SGSS pension scheme, we have identified that you could receive a cash advantage from a change in the way your employee contributions are made to the relevant pension scheme. (We are also writing a similar letter to those members of USS and USPAS pension schemes).
2. A review by the University of both the current and new pension contribution arrangements has shown that there could be a benefit to you and to the University arising from an amendment to the way in which contributions are made into the pension scheme by your participating in Salary Exchange (sometimes also referred to as “Salary Sacrifice” or “Smart Pensions”).
3. By way of background, Salary Exchange on pensions is an arrangement whereby an employee gives up an amount of his/her cash salary equivalent to the contributions he/she is making to an approved employer pension scheme. In return, the employer agrees to increase the employer pension contributions to the pension scheme by the same amount. The advantage arises because the employee and employer will have a reduced National Insurance liability (i.e. will pay less National Insurance) due to the fact that National Insurance will be paid on the reduced salary rather than the full salary.
4. It is the University’s view that members of USS, USPAS or SGSS pension schemes could receive a cash advantage from Salary Exchange being introduced. An employee who participated in Salary Exchange would see his/her net pay increase as a result whilst the overall level of actual pension contributions to his/her pension, and pension benefits, would remain unaffected.
5. The University has proposed Salary Exchange with the recognised trades unions who agree to its introduction, providing employees have the opportunity to opt out - i.e. not participate - which will be the case.

WHAT SALARY EXCHANGE WOULD MEAN FOR YOU

6. If you wish to join Salary Exchange and benefit from any cash advantage, you would no longer make employee contributions to the pension scheme; instead the University would make the contributions to the pension scheme on your behalf, through Salary Exchange.
7. By participating in Salary Exchange, you would be agreeing to give up the part of your gross basic salary which you would otherwise contribute to the pension scheme, in exchange for the University making the same level of pension contributions on your behalf.
8. **By participating in Salary Exchange you will waive your right to receive [..]% - i.e. amount of employee contribution from 1 August 2011 - of your current salary and your salary will be reduced accordingly. The University will make arrangements within SGSS to pay an additional [..]% of your current salary to that pension scheme. For the avoidance of doubt, this will represent a change to your contract of employment with the University. An illustration of the indicative impact of this is demonstrated in the examples shown at www.sussex.ac.uk/humanresources/salaryexchange although these are shown by way of example salaries rather than your actual salary.**
9. **However, other pay-related benefits or terms, e.g. overtime, pay increases etc would still be calculated on the salary as if the Salary Exchange had not taken place – i.e. these would be based on your non-exchanged salary.**
10. The benefit of this arrangement is that both you and the University would save National Insurance Contributions (NIC) on your current employee contributions to the pension scheme. As a result, your net pay would increase whilst the overall level of actual pension contributions, and pension benefits, would remain unaffected.
11. Please see the following web link which shows examples of the cash advantage to individuals, if they participate in Salary Exchange, based on a range of salaries by USS, USPAS and SGSS pension schemes:
www.sussex.ac.uk/humanresources/salaryexchange

NEXT STEPS

12. **Salary Exchange will be implemented by the University with effect from 1 November 2011. You will automatically be entered into Salary Exchange at your level of pension contribution on that date unless you decide not to participate by completing the Opt-Out Form and sending it to Helen Kalkbrenner, PA to the Director of HR, by 30 September 2011.**
13. Unless opting out, you would remain opted in to Salary Exchange until the first anniversary of its introduction when you could then choose to opt out. The exception would be if a “lifestyle change” occurred, e.g. birth of a child, separation or divorce, change from full-time to part-time work in which event, you could opt out earlier. This is in line with HMRC guidelines on salary exchange.

14. The Opt-Out Form is available from the web at: www.sussex.ac.uk/humanresources/salaryexchange or by contacting Helen Kalkbrenner, PA to the Director of HR, at H.E.Kalkbrenner@sussex.ac.uk or on extension 8306.

FURTHER INFORMATION

15. I enclose a set of Frequently Asked Questions (“FAQs”) which contains more information about Salary Exchange, how Salary Exchange could benefit you, the University’s reasons for implementing Salary Exchange, and what you need to do.
16. Please take time to read the FAQs so that you fully understand the implications for you.
17. If you have any questions that are not answered by this letter and the FAQs, you may contact the Salary Exchange Helpline which will operate from:

Wednesday 14th September to Friday 16th September

Monday 19th September to Friday 23rd September

Monday 26th September to Tuesday 27th September

To call the Salary Exchange Helpline, please telephone 0115 935 3450 or 0115 935 3468 and state that your call is in relation to the University of Sussex Salary Exchange. The helpline is being provided by KPMG, a third party provider, who are advising the University on Salary Exchange.

18. In addition to the helpline, the University has also arranged for KPMG to make a presentation on Salary Exchange to pension members; the presentation will be repeated at different times on two different days, the dates and times for which are set out in the attached Booking Form. Please complete and return the Booking Form if you wish to attend a presentation.
19. Please note that neither the University nor KPMG is permitted in law to provide financial advice. If you would like financial advice on the matter, you can find an independent financial adviser in your area via www.unbiased.co.uk
20. You will have until 30 September 2011 to seek further information on Salary Exchange and/or to decide to opt out of Salary Exchange. During this time, in addition to the helpline and presentations, other communications on Salary Exchange will take place, e.g. on the website and in the Bulletin.
21. **If, after considering the information provided - and speaking to the helpline and/or attending a presentation, if you choose to do so - you DO NOT wish to participate in Salary Exchange, you should complete the Opt-Out Form referred to at points 12 and 14 above and return it to Helen Kalkbrenner, PA to the Director of HR, 3rd floor, Sussex House, by 30 September 2011.**
22. **If you DO NOT complete the Opt-Out Form, you will be automatically entered into Salary Exchange.** Being entered into Salary Exchange means that you will continue in your current pension scheme and the contributions currently made to that scheme (by both you and the University) will continue at the same level - albeit paid by the University alone.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Summerville', with a large, sweeping initial 'J' and a horizontal line across the top of the signature.

Jane Summerville
Director of Human Resources

Att. FAQs, Presentation Booking Form