Sports Centre Membership Salary Sacrifice Scheme FAQ’s

What is salary sacrifice?
Under a salary sacrifice arrangement, an employee gives up the right to part of his or her salary and receives a non-cash benefit from the employer in return, which will not be subject to tax or national insurance deductions. Further details about salary sacrifice are available on the HM Revenue & Customs (HMRC) website at: [http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf](http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf)

This means that in effect you pay for your membership directly from your gross basic pay before tax and NI are deducted. Therefore, your membership payment should not be subject to income tax and NI payments, unlike your basic salary and there will be a saving to you on the amount you choose to reduce your basic salary.

Please note that you may wish to seek further advice from HM Revenue & Customs if you are in receipt of any state benefits, such as Statutory Maternity Pay (SMP), Statutory Sick Pay (SSP) or the childcare element of Working Tax Credits. An HM Revenue & Customs guide to salary sacrifice is available and can be downloaded from: [www.hmrc.gov.uk/specialist/salary_sacrifice.pdf](http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf)

Can I join the scheme?
To be eligible for the salary sacrifice scheme, you must be employed by the University of Leicester and earn in excess of £10,000. There are certain limits to eligibility, in particular that your gross basic pay does not fall below the national minimum wage at any time during employment, after the salary sacrifice reduction.

You can remain in the scheme as long as you remain an employee of the University of Leicester and your salary is sufficient to cover your chosen salary sacrifice amount. If you are currently on maternity leave, adoption leave or on long term sickness and not in receipt of pay, you will not be able to participate in a salary sacrifice agreement until you return to work and your pay before salary sacrifice is above national minimum wage.

Can I have joint membership with my partner and salary sacrifice their membership fees to?
Yes but you can only salary sacrifice your partners membership fees if you salary sacrifice your own membership fees.

Will participating in the scheme affect my University pension?
The implementation of salary sacrifice arrangements for the scheme may have to be taken into consideration where you are also a pension scheme member. If there are any queries in relation to the impact of the salary sacrifice and pension scheme benefits, please contact the Pensions Manager on x2794.

USS, PAS and FPS members
The employee and employer contribution will continue to be based on your pre-sacrifice salary. The pensions office will use a notional, pre-sacrifice, salary for pension benefit purposes, so there will be no impact on pension benefits in this period.
NHS
The employee and employer contribution will be based on your reduced, post-sacrifice salary. This will have the effect of reducing the pensionable pay, which could impact on any benefits such as ill-health retirement, death benefits or leaving service benefits.

If you are also contributing to the Additional Voluntary Contribution (AVC) or Added Years arrangement, please note that if the AVC is percentage based, this will also reduce and the value will also be affected by the reduced pensionable pay on which it is based. This would not be the case for lump sum/ixed value AVCs.

Will work related pay benefits be affected?
Yes, there may be an impact on your entitlement to benefit payments such as statutory maternity or paternity pay, statutory sick pay and working tax credits, as these will be calculated on your reduced salary. There may also be an impact on your pension. You are advised to consider carefully the effect that a reduction in pay may have before you decide to join the scheme.

More details on salary sacrifice and the impact on benefits are available on the HMRC Website at http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf

Will I always be able to use the scheme whilst I am employed at the University of Leicester?
Yes, as long as the scheme continues in force subject to continuing HMRC approval, providing that you continue to earn a salary payment that remains above the national minimum wage, after being reduced by the contracted membership charge.

What happens when I qualify for a salary increase e.g. national pay award or salary increment?
In the case of pay awards the percentage increase will be based on your notional salary. This is the same as your pre-sacrificed salary.

If I apply for a mortgage, a loan or a similar financial transaction, what should I quote as my earnings from the University?
You should quote your full pre-sacrificed salary and explain to the lender that you have done this. Most lenders now understand how salary sacrifice operates and will base their decision on pre-sacrificed amounts.

Will my other salary sacrifice schemes that I belong to be affected by joining this scheme?
If you fall below the validation levels for national minimum wage then this could be due to you exchanging too much of your pay in return for benefits. If this is the case then you will be removed from salary sacrifice schemes in the following order:

• Sports Membership
• Cycle Scheme
• Childcare Vouchers
• Smart Pension

How do I join the scheme?
If you wish to join the scheme, you will need to complete paperwork down at the University Sports Centre reception on main campus. This will consist of a Membership Application Form and sign two
copies of the terms and conditions and payroll forms. For those not wishing to join the scheme, there is the option to take out normal membership fees on a deduction scheme through your pay.

**How long is the membership period for and what happens if I want to cease membership salary sacrifice?**
When you are entered into the arrangement there is a continuous commitment from start date of salary sacrifice. If you join the scheme, but then wish to opt out, you will only be able to do this once every 12 months or on the occasion of a ‘lifestyle event’. The Sports Centre will contact you annually to remind you of the opt-out window. You will need to complete the online Opt-Out form available at www2.le.ac.uk/offices/sports/membership/Staff/opt-out-form-salary-sacrifice on the anniversary of the scheme such that it is received before 30th April each year.

At least one month’s notice must be given in writing to the Scheme Manager (ssadmin@le.ac.uk) if you wish to leave the salary sacrifice scheme due to a @lifestyle event;

**What are the qualifying Life Events?**
There are a number of ‘Lifestyle Events’ that allow you to opt out of the salary sacrifice scheme for Sports Memberships at the University. A lifestyle event is agreed with HMRC and will include the following:
- Marriage;
- Divorce or separation;
- Birth or adoption of a child;
- Commencement of, or return to work after, maternity, paternity or adoption leave;
- Death of an immediate family member;
- Your gross contractual pay increases above or decreases below the £10,000 limit.

If you believe a lifestyle event has occurred, that affects your participation in the scheme, you should notify the Sports and Recreation Service.

**When can I change my level of membership?**
You can upgrade your membership (i.e. increase your level of membership or add a partner) at any time. You can only downgrade your membership (i.e. decrease your level of membership or remove a partner) once every 12 months on the anniversary of the scheme such that it is received before 30th April each year.

**Will my shift allowance/ on call payments/ responsibility pay be affected by these arrangements?**
No, overtime, shift allowance, on call payments, responsibility pay and other payments will continue to be based on your ‘notional pay’ (your gross contractual pay before implementation of the Plan).

**What happens at pay reviews?**
Pay reviews will not be affected by the Plan. All pay increases will be calculated by reference to your ‘notional pay’.

**How will this affect my other University benefits?**
Any benefits you receive through the University will not be affected by the new arrangements. The benefits will be based on your ‘notional pay’.
How will this affect my student loan payments?
Your student loan payment is 9% of your earnings over £17,335. (if the first year of your course started before 1st September 2012) or £21,000 (if the first year of your course started 1st September 2012 or later). This payment will alter as the trigger point is based on the salary on which you are liable to pay National Insurance Contributions (NICs). Under salary sacrifice your total gross salary on which NI is paid will reduce, so your loan payments will also reduce.

How will this affect my claims to state benefits such as tax credits and housing benefits?
State benefits are a very complex area and the University is unable to give specific advice to individuals. However, although salary sacrifice increases your take home pay, it also reduces your gross contractual pay. Therefore any benefits worked out on your gross contractual pay e.g. Working Family and Child Tax Credits, should increase if you opt into salary sacrifice. If you claim any benefits you should review your own personal position prior to opting in. You can do this at hmrc.gov.uk and dwp.gov.uk, and you should also seek advice from your own personal financial advisor.

Are other employers introducing similar arrangements?
Yes. Many employers, including other universities, and household names have introduced similar arrangements.

Will my employment contract/terms and conditions change?
By opting into Smart Pensions, the way your contributions are made into the Pension Scheme will change, and so this does entail a change in your terms and conditions of employment. You can only then opt out of the scheme on the anniversary date or if you experience a ‘lifestyle event’.

When is payment made and what if I join part way through a month?
Membership fees are taken from your Salary a month in advance. If you join part way through the month your membership is valid immediately and your payments start at the next available opportunity.

What happens if I am made redundant or my contract is terminated?
Where a redundancy payment is to be made, the University will calculate the amount due using your ‘notional pay’ to avoid any disadvantage in the calculation up to the statutory maximum cap. This will also apply to any Payment in Lieu of Notice which may be agreed.

Where can I get independent advice about Salary sacrifice?
From a variety of sources, such the Citizens’ Advice Bureau, an independent financial adviser, your accountant, or a solicitor. Neither the University of Leicester nor Sport & Recreation Service can give you independent advice.

Do I need to tell HMRC about this benefit?
There is no need for you to inform the Tax Office (HMRC).

Who can I contact for additional information?
If you have any further questions about salary sacrifice and sports membership please email membership@le.ac.uk or call the University Payroll Office on x2401.
How much will I save?

The savings you make by opting into the scheme are dependent on a number of factors that vary between individuals (i.e. salary, income tax code, national insurance code, etc.). The following examples show the potential savings when opting to pay Sports Membership through Salary sacrifice.

Example 1

David is an administrator in a Department. He is on Grade 3, Point 11 and is a basic rate tax payer. He is paid an annual salary of £18,031 (£1,502.58 monthly). His tax code is 1060L and his National Insurance category is A. He has opted out of pensions.

<table>
<thead>
<tr>
<th>Sports Membership</th>
<th>Courts &amp; Classes £20 per month</th>
<th>Gold £33 per month</th>
<th>Gold+ £38 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Sacrifice?</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Tax Deducted</td>
<td>£123.60</td>
<td>£123.60</td>
<td>£123.60</td>
</tr>
<tr>
<td>NI Deduction</td>
<td>£99.67</td>
<td>£99.67</td>
<td>£99.67</td>
</tr>
<tr>
<td>Net monthly pay</td>
<td>£1,259.31</td>
<td>£1,246.31</td>
<td>£1,241.31</td>
</tr>
<tr>
<td>MONTHLY SAVING</td>
<td>£6.40</td>
<td>£10.56</td>
<td>£12.16</td>
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<tr>
<td>Cost of membership</td>
<td>£20</td>
<td>£13.60</td>
<td>£22.44</td>
</tr>
</tbody>
</table>

MONTHLY SAVING

The above savings have been calculated using the income tax and national insurance rates and limits for the tax year 2015/2016.

Example 2

Lindsay is a lecturer in a Department. She is on Grade 8, Point 41 and is a higher rate tax payer. She is paid an annual salary of £43,325 (£3,610.41 monthly). Her tax code is 1060L and her National Insurance category is A. She has opted into pensions.

<table>
<thead>
<tr>
<th>Sports Membership</th>
<th>Courts &amp; Classes £20 per month</th>
<th>Gold £33 per month</th>
<th>Gold+ £38 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Sacrifice?</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Tax Deducted</td>
<td>£560.65</td>
<td>£560.65</td>
<td>£560.65</td>
</tr>
<tr>
<td>NI Deduction</td>
<td>£344.77</td>
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</tr>
<tr>
<td>Net monthly pay</td>
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<td>£2,666.99</td>
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<tr>
<td>MONTHLY SAVING</td>
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<td>£13.86</td>
<td>£15.96</td>
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<tr>
<td>Cost of membership</td>
<td>£20</td>
<td>£11.60</td>
<td>£19.14</td>
</tr>
</tbody>
</table>

The above savings have been calculated using the income tax and national insurance rates and limits for the tax year 2015/2016.