THE ASTON UNIVERSITY PENSION SCHEME (AUPS)

THE UNIVERSITY'S FLEXIBLE BENEFITS SALARY CONVERSION ARRANGEMENT

The purpose of this leaflet is to confirm that the Rules of the Aston University Pension Scheme (the **Scheme**) are changing, with effect from 1 April 2008. The changes allow the operation of the "Pension Salary Conversion" and ensure that pension benefits are protected for those who participate in the University's Flexible Benefits arrangement. Flexible Benefits covers the provision of Childcare Vouchers, a Cycle to Work Scheme and 'Pension Salary Conversion'. This leaflet therefore constitutes an amendment to the "A Guide to the Scheme" booklet. Please keep it with your copy of the guide.

What is the "Pension Salary Conversion"?

Instead of you paying the normal 6.35% pension contribution to the **Scheme** the University will pay it as an extra employer contribution to the **Scheme**. Your contractual pay will be reduced by an amount equivalent to the 6.35% member contribution. For the majority of members this will reduce the amount of National Insurance Contribution due and increase net (take home) pay.

It should be emphasised that the amount of contributions being paid to the **Scheme** is not reduced.

From 1 April all **Scheme** members will be entered into the "Pension Salary Conversion" unless they elect to withdraw. You can choose not to participate in the "Pension Salary Conversion" (subject to certain time restrictions), if you do not wish to do so, and still be a member of the **Scheme**.

Basic Salary, Pensionable Salary, Pensionable Pay and Final Pensionable Earnings

Your Basic Salary, Pensionable Salary, Pensionable Pay and Final Pensionable Earnings will be calculated using your notional "Base Pay" ignoring the "Pension Salary Conversion" i.e. the pay which you would have been receiving if you were not participating in the "Pension Salary Conversion". (When assessing your Pensionable Salary and Pensionable Pay a notional taxable earnings will be used. This will take account of the amount of taxable pay given up by the "Pension Salary Conversion".)

This means that your pension benefits, including potential spouse's benefits and death lump sum, will be completely unaffected if you participate in the "Pension Salary Conversion".

Death-in-Service Benefits

The potential death-in-service lump sum is based on your **Pensionable Pay** and the amount payable is therefore not affected if you participate in the "Pension Salary Conversion" (see section above). However, a refund of your contributions to the **Scheme** is also payable if you die before retirement whilst an active member of the **Scheme**. As has already been explained, if you participate in the "Pension Salary Conversion", you cease to contribute to the **Scheme**. Should you die before retirement, an additional amount will be added to death-in-service lump sum benefits, equal to the amount of contributions which you would have paid had you not participated in the "Pension Salary Conversion". This will also apply to any refund of contributions payable on death-in-deferment.

Refunds of Contributions (for members who leave with less than two years service)

A refund of your contributions (less statutory deductions) is usually payable if you opt out or leave the **Scheme** within two years of joining.

However, if you participate in the "Pension Salary Conversion" you will not be paying normal contributions to the **Scheme**. The contributions will instead be paid by the University and will therefore be employer contributions, which are not refundable.

As a refund is not payable, the **Scheme** will instead provide a deferred pension in respect of the period when you participate in the "Pension Salary Conversion". The pension will be calculated on a Career Average Revalued Earnings (CARE) basis, using your **Pensionable Service** and **Pensionable Pay** in the **Scheme**. (Full details of how benefits are calculated are given in the **Scheme** guide.)

You will also have the options of having a transfer value of your deferred benefits paid to another approved scheme or arrangement.

If, for part of your period of **Scheme** membership, you did not participate in the "Pension Salary Conversion", you will be able to receive a refund of contributions (less the appropriate deduction for tax and the national insurance adjustment) or a transfer value for this part of your membership. However, you will not be entitled to a deferred benefit for this non-Pension Salary Conversion part of your **Pensionable Service**. If you wish to transfer out this part of your **Pensionable Service**, you will also have to transfer out the period of membership when you did participate in the "Pension Salary Conversion".

Additional Voluntary Contributions (AVCs)

AVCs cannot be sacrificed and will continue to be calculated using your notional "Base Pay" ignoring the "Pension Salary Conversion" i.e. the pay which you would have been receiving if you were not participating in the "Pension Salary Conversion".

Employee Benefits (Nursery Vouchers and Cycles to Work)

If you choose to receive one (or both) of the employee benefits (initially either nursery vouchers or a cycle to work), your "Base Pay" will be reduced by the amount of benefit you receive e.g. the value of the nursery vouchers received or the repayment of the cost of your cycle to work bicycle.

As with the "Pension Salary Conversion", your **Basic Salary, Pensionable Salary, Pensionable Pay** and **Final Pensionable Earnings** will be calculated using your notional "Base Pay" ignoring the reduction in respect of the benefit received.

This means that your pension benefits, including potential spouse's benefits and death lump sum, will be completely unaffected if you choose to receive one of these benefits.

If you do not also participate in the "Pension Salary Conversion", the amount of contributions which you will be paying to the **Scheme** (including any AVCs) will be calculated using your "Base Pay" i.e. ignoring the amount of pay given up, and this is the amount which will be deducted from your pay.