

Alstom Defined Contribution Plan

Salary Sacrifice for pension contributions:
an addendum to your Member Booklet

An efficient way for contributions to be paid to the Plan



All you need to
know about Salary
Sacrifice for pension
contributions

UNITED KINGDOM |
Pensions

ALSTOM

ALSTOM Ltd (the 'Company') provides Salary Sacrifice for pension contributions. This is an efficient way for contributions to be paid to the Alstom Defined Contribution Plan (the 'Plan') designed to help save you money as you save for retirement.

This guide tells you what you need to know about Salary Sacrifice for pension contributions, and supplements the information in your Member Booklet about the Plan. This guide should be read together with your Member Booklet.

New joiners to the Plan

New joiners to the Plan do not need to do anything in order to take part in Salary Sacrifice for ordinary pension contributions.

You will be enrolled in Salary Sacrifice automatically when you join the Plan, based on the contribution levels you select on your Contribution and Investment Form.

If you do not complete the Contribution and Investment Form, the default options will apply to you so ordinary contributions will be made through Salary Sacrifice at the rate of 4% of Pensionable Earnings and your Individual Account will be invested in the Accumulation Lifestyle Option with a Target Retirement Age of 65 (see the Guide to Investment Options for details). You will have two months from the date on which you join the Plan to change the default contribution rate. After this time, you will only be able to change the contribution rate with effect from 6 April each year. (See page 4 of the Member Guide.) You may change the way you invest your Individual Account and/or future contributions at anytime.

If you also want to take part in Salary Sacrifice for regular Additional Voluntary Contributions, you can elect to do so but you will not be enrolled automatically. If you wish to enrol then see the section on page 4 headed 'Signing up to Salary Sacrifice for pension contributions'.

How Salary Sacrifice works

Salary Sacrifice arrangements allow companies to provide employees with certain pension benefits in a way that reduces the amount of National Insurance that has to be paid.

If you are taking part in Salary Sacrifice for pension contributions, you will not pay regular contributions to the Plan – instead, the Company will pay additional contributions to your Individual Account equal to the contributions that you would otherwise have paid (see pages 5 and 6 of the Member Booklet). Your basic contractual annual salary and pensionable fixed allowances will be reduced by an amount equal to the pension contributions that you would have paid if you had not been taking part in Salary Sacrifice.

If you are taking part in Salary Sacrifice, the references in the Member Booklet to contributions that you pay should be read as referring to the additional contributions that the Company pays in return for you agreeing to a reduction to your contractual pay.

Only regular pension contributions can be made through Salary Sacrifice i.e. matched ordinary contributions (see page 5 of the Member Booklet) and any regular Additional Voluntary Contributions ('AVCs') (see page 6 of the Member Booklet). One-off AVCs cannot be made through Salary Sacrifice – you can pay these out of your salary instead.

How you benefit

If you are eligible for Salary Sacrifice and have not reached State Pension Age, you will pay less National Insurance by taking part in Salary Sacrifice. This is because you pay National Insurance on your gross pay and when you take part in Salary Sacrifice your pay is reduced. (Remember that the reduction to your gross pay does not mean you are losing out. You have simply agreed to give up some of your contractual salary and pensionable fixed allowances in return for you not paying certain pension contributions and the Company paying additional contributions, of an equivalent amount, to your Individual Account instead.)

As a result of paying less National Insurance, your take home pay should be higher than if you were not taking part in Salary Sacrifice.

The savings that result from Salary Sacrifice will vary from member to member. Broadly members earning below the Upper Earnings Limit will benefit from a higher rate of National Insurance contribution savings than those members earning above this limit. (For the 2011/12 tax year, the Upper Earnings Limit is £42,484 a year.)

Salary Sacrifice and other Alstom benefits

Taking part in Salary Sacrifice for pension contributions results in a reduction in your pay. However it will not affect the amount of pension benefits you are building up in the Plan or any other payments or benefits that the Company provides based on your salary.

A Pre-Sacrificed Annual Salary (which is what your basic salary would have been if you had not taken part in any salary sacrifice arrangement) is recorded and used to calculate salary related payments and benefits that the Company provides. This means that pay increases and additional payments such as overtime and bonuses are calculated using the Pre-Sacrificed Annual Salary and not affected by participation in the salary sacrifice arrangement.

Your Pensionable Earnings under the Plan will be calculated based on what your basic salary and pensionable fixed allowances would have been if you had not been taking part in any salary sacrifice arrangement.

The Company will also explain that you are participating in a Salary Sacrifice arrangement and provide your Pre-Sacrificed Annual Salary if you are applying for a mortgage or loan.

Benefits if you leave the Plan (see also page 10 of the Member Booklet)

The Plan rules allow for members who leave the Plan with less than two years' membership to receive a refund of the contributions they have paid (adjusted for investment returns).

If you are taking part in Salary Sacrifice, you do not pay regular contributions to the Plan so there may not be any member contributions to be refunded from the Plan if you leave with less than two years' membership. However, to compensate for this, if you leave the Plan in circumstances where you would be eligible for a refund of contributions if you had not taken part in Salary Sacrifice, the Company will make a payment to you equivalent to the contributions that you would have paid if you had not taken part in Salary Sacrifice (adjusted for investment returns). This payment will be reduced by income tax and National Insurance contributions.

Any contributions paid out of your salary rather than through Salary Sacrifice will, in these circumstances, be refunded from the Plan.

If you are absent from work

The Company will continue to make pension contributions to the Plan during any period when you are receiving an absence related payment. These pension contributions will be based on your Pensionable Earnings immediately before you went on leave.

Salary Sacrifice and State benefits

Contribution based benefits

Some State benefits (such as the basic State pension, employment and support allowance, and jobseeker's allowance) are based on the National Insurance contributions you pay. This means that taking part in Salary Sacrifice might affect your entitlement to these benefits, either while you are working for the Company or in the future.

To build up an entitlement, you need to earn over the Government's Lower Earnings Limit (which in the 2011/12 tax year is £5,304 a year).

To ensure that no one's entitlement to contribution based State benefits will be adversely affected by taking part in Salary Sacrifice for pension contributions, the Company will not let an employee take part if his or her annual basic salary is below a minimum threshold (£7,500 as at April 2011). This minimum threshold will be reviewed each year.

Earnings related benefits

Certain State benefits such as the State Second Pension are based on your level of earnings after any Salary Sacrifice has taken place.

If your pay (after reduction as a result of Salary Sacrifice) is between the Government's Lower Earnings Threshold (£14,100 in the 2011/12 tax year) and the Upper Accrual Point (£40,040 in the 2011/12 tax year), taking part in Salary Sacrifice for pension contributions may reduce the amount of the State Second Pension you build up.

Although the Company cannot give a guarantee, for most members it is expected that the savings in National Insurance contributions as a result of taking part in Salary Sacrifice will be greater than the value of the loss in State Second Pension.

Work related payments

Certain state benefits (such as statutory maternity, paternity, adoption and sick pay) are based on average weekly earnings. Taking part in Salary Sacrifice reduces these earnings, meaning the amount of these work related payments could be reduced as a result of taking part in a Salary Sacrifice arrangement.

However, the checks the Company has built in to Salary Sacrifice mean that the only payments likely to be affected are the first six weeks of Statutory Maternity Pay (which is based on 90% of average weekly earnings).

If you are taking part in Salary Sacrifice you can ask the Company to allow you to opt out if you become pregnant. If you would like further details please contact your HR partner.

Signing up to Salary Sacrifice for pension contributions

New joiners to the Plan will be enrolled automatically in Salary Sacrifice for ordinary pension contributions (see the section headed 'New joiners to the Plan' on page 2).

Existing members of the Plan who initially chose not to take part in Salary Sacrifice can choose to enrol for ordinary pension contributions from 6 April each year by completing an Annual Contribution Change Form.

All members can elect from 6 April each year, for regular AVCs to be made through Salary Sacrifice. If this is something you want to do, please complete and return the Annual Contribution Change Form.

If you are one of the very small number of employees who are not eligible to take part in Salary Sacrifice for pension contributions the Company will contact you separately. There are two situations where this might apply:

- 1 If the Company is aware that taking part would adversely affect your entitlement to contribution-based State benefits (see the section headed 'Salary Sacrifice and State benefits').
- 2 If the Company is aware that taking part would reduce your pay below the UK National Minimum Wage. In this case, the Company would have to exclude you from Salary Sacrifice in order to comply with the minimum wage legislation.

Changing your Salary Sacrifice arrangements

The occasions on which you may be able to change the amount of contributions being made through Salary Sacrifice are as follows.

Lifestyle Events

If you experience one of the lifestyle events listed below, you can request a change to the level of regular AVCs that you may be making through Salary Sacrifice or opt out of Salary Sacrifice (you will need the Company's consent to either of these changes). Please contact your HR partner for more details.

Lifestyle events involve a major change in your life or working pattern and include:

- Getting married, entering into a civil partnership or moving in with a partner
- Going through a separation, getting divorced, having a civil partnership dissolved
- Becoming pregnant or on the birth or adoption of a child
- The death of a partner or dependant
- Going on, or returning from, leave with reduced pay (or no pay at all)
- A significant change to your working hours or pay
- Your husband, wife or partner losing their job
- Moving overseas to work
- Moving back to the UK to work

If the Company has previously informed you that you are not eligible to take part in Salary Sacrifice, but your situation changes and you subsequently become eligible, this also counts as a lifestyle event.

At annual renewal (6 April)

You can only change your chosen rate of ordinary contributions from 6 April each year.

Unless you experience a lifestyle event, you will only be able to change your chosen rate of regular AVCs from 6 April each year if you choose to make these through Salary Sacrifice. If you want to increase your AVCs during the year (either on a regular basis or as a one-off), you can do so by paying additional AVCs out of your salary rather than through Salary Sacrifice.

Each year, in advance of the annual renewal date (6 April), the Company will review members' eligibility to take part in Salary Sacrifice for pension contributions.

- If you are already taking part in Salary Sacrifice for pension contributions the arrangements in place at that time will continue automatically, unless you indicate that you want to change ordinary contribution rates or the level of AVCs being made through Salary Sacrifice. You will not be allowed to opt out of Salary Sacrifice for ordinary pension contributions unless you experience a lifestyle event or fail an eligibility condition.
- If you want to switch ordinary contribution rates for the following Plan year or change the level of any regular AVCs being made through Salary Sacrifice, you can do so by completing and returning the appropriate forms. (The Company will write to remind you of your options around February of each year.)

If you need more information

If you have any questions about Salary Sacrifice for pension contributions, please contact your HR partner and, for general queries about the Plan, please contact the administrators dc-Link.

More detailed information about salary sacrifice arrangements is available on the HM Revenue & Customs website. www.hmrc.gov.uk/specialist/salary_sacrifice.htm

If you want some advice

It is not possible for the Company to know each member's circumstances and the law does not allow anyone employed by the Company to provide individual financial advice.

If you feel that financial advice would be helpful, www.unbiased.co.uk provides details of independent financial advisers (IFAs) in your area. It is important to check that whoever advises you on financial services and products is qualified and authorised to do so. Visit the Financial Services Authority website at www.fsa.gov.uk/register/home.do or phone their consumer helpline on 0845 606 1234.

The Consumer Financial Education Body (CFEB) provides information for consumers on all aspects of financial planning, including how to find an adviser and what questions to ask. Visit the CFEB website at www.moneymadeclear.org.uk or phone 0300 500 5000 (call rates may vary).

Please remember that you may have to pay for any advice that you receive.

The Company intends to continue the Salary Sacrifice arrangement for pension contributions as long as it reduces the National Insurance contributions that members and the Company pay. However, the Company may alter or end this Salary Sacrifice arrangement at any time.

If there is a conflict between this booklet and the Plan's Trust Deed and Rules, the Trust Deed and Rules will override this booklet.

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