

Introducing **Alstom**  
**SALARY SACRIFICE**  
for pension contributions

A GUIDE FOR MEMBERS OF THE ALSTOM PENSION SCHEME  
February 2011



Make savings as you build  
up your pension

*We are shaping the future*

**ALSTOM**



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## Introducing **SALARY SACRIFICE**

As a member of the Alstom Pension Scheme (the 'Scheme'), you are building up a pension linked to your earnings and the number of years you have been a contributing member of the 2006 Defined Benefit Section of the Scheme.

ALSTOM Ltd (the 'Company') is introducing Salary Sacrifice for pension contributions – an efficient way for member contributions to be paid to the Scheme and is designed to help save you money as you save for retirement.

This guide tells you what you need to know.



# SAVING YOU MONEY as you save for retirement

## How Salary Sacrifice works

Salary sacrifice arrangements allow companies to provide employees with certain benefits in a way that reduces the amount of National Insurance that has to be paid. The Company already provides a Salary Sacrifice arrangement for childcare vouchers and Salary Sacrifice for pension contributions works in the same way.

Currently the Company deducts your regular pension contributions from your gross (pre-tax) Pay (the cash due to you under your contract of employment) and pays them to the Scheme. (Regular contributions include your ordinary contributions and any regular additional voluntary contributions – or AVCs – that you pay.)

If you take part in Salary Sacrifice, you will stop paying certain regular contributions to the Scheme and the Company will pay these instead. Your basic contractual annual salary and pensionable fixed allowances will be reduced by an amount equal to the pension contributions you were previously paying.

Only regular pension contributions can be paid through Salary Sacrifice (ie ordinary contributions and any regular AVCs). You will be unable to make any one off AVCs through Salary Sacrifice.

## How you benefit

If you take part in Salary Sacrifice and have not reached State Pension Age, you will pay less National Insurance. This means that your take home pay will be higher than it would be if you did not take part in Salary Sacrifice.

This happens because you pay National Insurance on your gross Pay and when you take part in Salary Sacrifice your Pay is reduced. Remember that this is not because you are losing out – you have simply agreed to give up some of your contractual salary and pensionable fixed allowances in return for no longer paying certain pension contributions and the Company will pay an equal amount to the Scheme instead.

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

We have prepared two examples that illustrate this on page 5.

## How the Company benefits

In addition to reducing the amount of National Insurance that members pay, Salary Sacrifice for pension contributions also reduces the National Insurance that the Company pays. This is because the Company's National Insurance contributions are also based on employees' gross Pay, which is reduced for those employees taking part in a Salary Sacrifice arrangement.

## What you need to do

If you want to take part in Salary Sacrifice for ordinary pension contributions, you do not have to do anything – the Company will automatically include all eligible members at the launch on 6 April 2011.

You should note that if you are eligible to take part in Salary Sacrifice, you will be enrolled automatically based on your current tier and contribution rate unless you complete the enclosed Annual Tier Change Form by 28 February 2011.

**The arrangements are different for regular AVCs – if you want these to be provided through Salary Sacrifice you will need to fill in and return the enclosed Additional Voluntary Contributions (AVCs) – APS14 Form by 28 February 2011.**

See page 6 for more details.

The Company intends to keep providing the Salary Sacrifice arrangement for pension contributions as long as it continues to reduce the National Insurance you and the Company pay. However, the Company has the right to alter or end this arrangement at any time.



# Looking in **MORE DETAIL**

## **Salary Sacrifice and your take home pay**

Everyone below State Pension Age who takes part in Salary Sacrifice for pension contributions, will make some National Insurance savings. They will receive more take home pay than they otherwise would. We have prepared two examples to illustrate the level of savings that Salary Sacrifice could provide (see page 5). Both examples use the tax and allowance rates that apply for the 2011/12 tax year.

## **Salary Sacrifice and other Alstom benefits**

Taking part in Salary Sacrifice for pension contributions only effects a reduction in your Pay. It will not affect the amount of pension benefits you are building up in the Scheme or any other payments or benefits that the Company provides based on your salary. This is because 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. Your Pensionable Earnings under the Scheme will be calculated based on what your basic salary and pensionable fixed allowances would have been if you had not taken part in any salary sacrifice arrangement.

These salary-related payments and benefits include:

- Additional payments such as overtime and bonuses
- Absence-related payments such as Company Sick Pay
- Life cover
- Redundancy payments

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.

### **If you are absent from work**

The Company will continue to make pension contributions to the Scheme 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 benefit, 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 a certain amount – the Government's Lower Earnings Limit (which in 2011/12 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 only let you take part if your annual basic salary is £7,500 or more.**

## **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 and the length of time you have paid National Insurance contributions.

If your Pay (after reduction as a result of Salary Sacrifice) is between the Government's Lower Earnings Threshold (currently £14,100) and the Upper Accrual Point (currently £40,040), 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 you a guarantee, the Company can confirm that its advisors have carried out checks which indicate that, at this time, the savings in National Insurance contributions, as a result of taking part in Salary Sacrifice are expected to be greater than the value of the loss in State Second Pension. If you are unsure as to whether you should take part in Salary Sacrifice for pension contributions, you may wish to seek independent financial advice.



## 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 are based on 90% of average weekly earnings).

If you take 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 about this, please contact your HR partner.

‘Everyone below State Pension Age who takes part in Salary Sacrifice for pension contributions will make some savings and receive more take home pay than they would outside Salary Sacrifice.’

# Salary Sacrifice and your TAKE HOME PAY

## EXAMPLE 1 – BASIC RATE TAX PAYER

This member has Pensionable Earnings of £25,000, and chooses to build up benefits under Tier 1 (in which the member contribution rate is 4% of Pensionable Earnings).

### Monthly payslip outside Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		2,083.33	DB Pen 4%	83.33
			Income Tax	275.42
			NI Employee	177.72
<b>TOTAL PAYMENT</b>	<b>2,083.33</b>		<b>Total Deductions</b>	<b>536.47</b>
BALANCES				
ITEM		VALUE		
Taxable pay		2,000.00		
Nlable pay		2,083.33		
Pensionable pay		2,083.33		
Gross pay		2,083.33		
<b>NET PAYMENT</b>		<b>1,546.86</b>		

### Monthly payslip under Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		2,083.33	Income Tax	275.42
PSS DB Pen 4%		(83.33)	NI Employee	167.72
<b>TOTAL PAYMENT</b>	<b>2,000.00</b>		<b>Total Deductions</b>	<b>443.14</b>
BALANCES				
ITEM		VALUE		
Taxable pay		2,000.00		
Nlable pay		2,000.00		
Pensionable pay		2,083.33		
Gross pay		2,000.00		
<b>NET PAYMENT</b>		<b>1,556.86</b>		

## EXAMPLE 2 – HIGHER RATE TAX PAYER

This member has Pensionable Earnings of £50,000, and chooses to build up benefits under Tier 3 (in which the member contribution rate is 7% of Pensionable Earnings).

### Monthly payslip outside Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		4,166.67	DB Pen 7%	291.67
			Income Tax	717.50
			NI Employee	365.09
<b>TOTAL PAYMENT</b>	<b>4,166.67</b>		<b>Total Deductions</b>	<b>1,374.26</b>
BALANCES				
ITEM		VALUE		
Taxable pay		3,875.00		
Nlable pay		4,166.67		
Pensionable pay		4,166.67		
Gross pay		4,166.67		
<b>NET PAYMENT</b>		<b>2,792.41</b>		

### Monthly payslip under Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		4,166.67	Income Tax	717.50
PSS DB Pen 7%		(291.67)	NI Employee	359.25
<b>TOTAL PAYMENT</b>	<b>3,875.00</b>		<b>Total Deductions</b>	<b>1,076.75</b>
BALANCES				
ITEM		VALUE		
Taxable pay		3,875.00		
Nlable pay		3,875.00		
Pensionable pay		4,166.67		
Gross pay		3,875.00		
<b>NET PAYMENT</b>		<b>2,798.25</b>		

Note: Both examples assume that the member is a UK tax payer and has a full Personal Allowance of £7,475 for the 2011/12 tax year.

# Taking **PART**



You do not need to do anything if you want to take part in Salary Sacrifice for ordinary pension contributions. The Company will include you automatically from 6 April 2011.

## What you need to do

If you are one of the very small number of employees who are not eligible the Company will contact you separately.

The default position is that you will be enrolled in Salary Sacrifice for ordinary pension contributions based on your current tier and contribution rate. However, if you want to switch tier/ contribution rate for the next Scheme year you can do so by completing and returning the enclosed Annual Tier Change Form to your HR partner by 28 February 2011.

You also have the opportunity to elect for any regular Additional Voluntary Contributions (AVCs) to be made through Salary Sacrifice. If this is something you want to do, please complete and return the enclosed Additional Voluntary Contributions (AVCs) – APS14 Form and pass it to your HR partner by 28 February 2011.

**Please be aware that Salary Sacrifice involves a change to the way that the Company delivers your pay and pension benefits. As such, it involves a change in your terms and conditions of employment. By agreeing to take part in Salary Sacrifice, you will be deemed to have consented to this change in your terms and conditions even if you do nothing.**

**If you do not want to take part in the Salary Sacrifice arrangement, you can obtain an Opting Out of Salary Sacrifice for Pension Contributions Form from your HR partner. This form should be completed and returned by 28 February 2011.**

## Not everyone will be eligible to take part

The Company has designed Salary Sacrifice for pension contributions to benefit as many members as possible.

However, the Company has identified a very small number of employees who might not benefit from Salary Sacrifice and the Company will not allow these members to take part in Salary Sacrifice for pension contributions.

There are two main situations where this might apply:

1. If the Company is aware that taking part would adversely affect your entitlement to State benefits (see 'Salary Sacrifice and State benefits' on page 4)

The Company wants to ensure that no-one's entitlement to contribution based State benefits will be adversely affected by Salary Sacrifice for pension

contributions. As a result, you will only be allowed to take part if your annual basic salary is £7,500 or more.

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.)

The Company will contact you shortly if you are not eligible to take part in Salary Sacrifice for pension contributions.

## Choosing not to take part

You can choose to opt-out of Salary Sacrifice for pension contributions if you think that this is the right move for you.

If you want to opt-out, please complete and return the Opting Out of Salary Sacrifice for Pension Contributions Form by 28 February 2011, available on request from your HR partner.

Please note that if you do not return an Opting Out of Salary Sacrifice for Pension Contributions Form by the 28 February 2011 you will be automatically enrolled in Salary Sacrifice for ordinary pension contributions from 6 April 2011 and you will be deemed to have consented to the change in your terms and conditions and the reduction to your contractual salary and pensionable fixed allowances.

## Confirmation of your enrolment in Salary Sacrifice

Once you have been enrolled in Salary Sacrifice, the Company will send you a statement to confirm the decisions you have made.



## Making a change

After 6 April 2011 there are occasions when it might be possible to make a change to your Salary Sacrifice arrangements.

### If there is a major change in your life or working pattern

These are called 'lifestyle events' 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
- Expatriation
- Repatriation

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

If you experience one of these events and want to know what options you might have for changing your Salary Sacrifice arrangements, please contact your HR partner.

## At annual renewal

As is the case at present, you will only be able to change your tier/contribution rate for ordinary contributions from 6 April each year.

If you choose to make regular AVCs through Salary Sacrifice, you will also only be able to change these from 6 April (unless you experience a 'lifestyle event' – see left). However, if you want to start paying more AVCs during the year (either on a regular basis or as a one off), you can do so outside of 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. You will not be allowed to opt out unless you fail an eligibility condition. If you want to switch tiers/contribution rates for the following Scheme 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 have previously opted out of Salary Sacrifice but subsequently decide in the future that you wish to take part, you will have an opportunity to join the Salary Sacrifice arrangement for pension contributions with effect from 6 April in any year, provided you are eligible.



# Finding out more

## If you need more information

If you have any questions about Salary Sacrifice for pension contributions or the Scheme, please contact your HR partner.

More detailed information about salary sacrifice arrangements is available on the HM Revenue & Customs website:

[www.hmrc.gov.uk/specialist/salary\\_sacrifice.htm](http://www.hmrc.gov.uk/specialist/salary_sacrifice.htm)

## If you want some advice

The Company's aim is to offer Salary Sacrifice for pension contributions only to those members who are likely to benefit by taking part. However, it is not possible to know each individual member's circumstances and the law does not allow anyone employed by the Company to provide individual financial advice.

If you are unsure about taking part in Salary Sacrifice for pension contributions, you should consider contacting an independent financial adviser (IFA).

If you do not already use an IFA, [www.unbiased.co.uk](http://www.unbiased.co.uk) provides details of advisers 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](http://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](http://www.moneymadeclear.org.uk) or phone them on 0300 500 5000 (call rates may vary).

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

**Although this guide has been checked to ensure it correctly reflects the rules of the Scheme, if there is a conflict between this guide and the Scheme's Trust Deed and Rules, the Trust Deed and Rules will override the provisions in this guide.**

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