

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

FOR MEMBERS OF ALSTOM GRID

February 2012



Make savings as you build up  
your pension in the new  
Alstom pension arrangement

*We are shaping the future*

**ALSTOM**

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## Introducing **SALARY SACRIFICE**

You will recently have received information from ALSTOM Ltd (the 'Company') about the changes it wishes to make to the pension arrangements it provides for you. Its intended changes include introducing a new Group Personal Pension Plan ('GPP') in place of the Alstom Grid Group Personal Pension Plan and making Salary Sacrifice for pension contributions available for you. This should provide you with a more efficient way for your contributions to be paid 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, the cycle to work benefit, and for pension contributions for members of the Alstom Defined Contribution Plan, the Alstom Pension Scheme and the Railways Pension Scheme.

Currently the Company deducts your regular pension contributions from your gross (pre-tax) Pay (the cash due to you under your contract of employment) less basic rate tax at 20% and pays them to the Prudential. (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 new GPP and the Company will pay these instead. Your basic contractual annual salary and pensionable fixed allowances (see note below) 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. You will be unable to make any one off payments through Salary Sacrifice.

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.

### NOTE:

If you choose to keep the contribution arrangements that apply under your current Plan up to 31 March 2014, this will be your gross earnings, including overtime and contracted bonus payments.

## 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 salary in return for no longer paying certain pension contributions and the Company will pay an equal amount to the new GPP 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 2012/13 tax year, the Upper Earnings Limit is £42,484 a year.)

Also, if you pay a higher rate of tax, you will get immediate tax relief on your contributions, rather than needing to adjust your tax code or make a claim at the end of the year.

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

## What you need to do

The Company will automatically include all eligible members when the new GPP starts in July 2012, unless you specifically request otherwise.

You should note that if you are eligible to take part in Salary Sacrifice you will be enrolled automatically based on your current contribution rate from 1 July, when the new GPP is due to start. Notwithstanding this, the form you will need to complete when the new GPP starts will provide you with a clear opportunity to elect not to participate, should you so wish.

See page 6 for more details.

## 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.

The savings the Company will make will be used to pay for the additional costs of the improved Company contribution rates under the new GPP.

# 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 2012/13 tax year.

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

Taking part in Salary Sacrifice for pension contributions only affects a reduction in your Pay. It will not affect the amount of pension benefits you are building up in the new GPP 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 new GPP will be calculated based on what your basic salary and pensionable fixed allowances (see note below) 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

### **NOTE:**

If you choose to keep the contribution arrangements that apply under your current Plan up to 31 March 2014, this will be your gross earnings, including overtime and contracted bonus 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 new GPP 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, 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 2012/13 is £5,564 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 £14,400) 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 for existing members of the new GPP 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.

# Salary Sacrifice and your TAKE HOME PAY

## EXAMPLE 1 – BASIC RATE TAX PAYER

This member has Pensionable Earnings of £25,000 and chooses a Member Contribution of 4%.

### Monthly payslip outside Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		2,083.33	Group PP EE 4%	66.67
			Income Tax	281.58
			NI Employee	174.08
<b>Total Payment</b>	<b>2,083.33</b>		<b>Total Deductions</b>	<b>522.33</b>
BALANCES				
			ITEM	VALUE
			Taxable pay	2,083.33
			Nlable pay	2,083.33
			Pensionable pay	2,083.33
			Gross pay	2,083.33
			<b>Net Payment</b>	<b>1,561.00</b>

### Monthly payslip under Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		2,083.33		
PSS Group PP 4%		(83.33)	Income Tax	264.92
			NI Employee	164.08
<b>TOTAL PAYMENT</b>	<b>2,000.00</b>		<b>Total Deductions</b>	<b>429.00</b>
BALANCES				
			ITEM	VALUE
			Taxable pay	2,000.00
			Nlable pay	2,000.00
			Pensionable pay	2,083.00
			Gross pay	2,000.00
			<b>NET PAYMENT</b>	<b>1,571.00</b>

## EXAMPLE 2 – HIGHER RATE TAX PAYER

This member has Pensionable Earnings of £50,000 and chooses a Member Contribution of 8%.

### Monthly payslip outside Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		4,166.67	Group PP EE 8%	266.67
			Income Tax	823.67
			NI Employee	361.42
<b>Total Payment</b>	<b>4,166.67</b>		<b>Total Deductions</b>	<b>1,451.76</b>
BALANCES				
			ITEM	VALUE
			Taxable pay	4,166.67
			Nlable pay	4,166.67
			Pensionable pay	4,166.67
			Gross pay	4,166.67
			<b>Net Payment</b>	<b>2,714.91</b>

Additional higher rate tax relief of £66.67 can be claimed from the local inspector of taxes. (Full tax relief is available automatically for members who contact HM Revenue & Customs directly and arrange to adjust their tax code.)

### Monthly payslip under Salary Sacrifice

PAYMENTS			DEDUCTIONS	
ITEM		VALUE	ITEM	VALUE
T Ann. Salary		4,166.67		
PSS Group PP 8%		(333.33)	Income Tax	690.33
			NI Employee	354.75
<b>TOTAL PAYMENT</b>	<b>3,833.34</b>		<b>Total Deductions</b>	<b>1,045.08</b>
BALANCES				
			ITEM	VALUE
			Taxable pay	3,833.34
			Nlable pay	3,833.34
			Pensionable pay	4,166.67
			Gross pay	3,833.34
			<b>NET PAYMENT</b>	<b>2,788.26</b>

**Note:** Both examples assume that the member is a UK tax payer and has a full Personal Allowance of £8,105 for the 2012/13 tax year.

Under Salary Sacrifice, the abbreviation 'PSS' stands for Pension Salary Sacrifice.

## 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 please contact your HR partner.

# Taking **PART**



Assuming the Company's proposals go ahead, then you will not need to do anything if you want to take part in Salary Sacrifice for ordinary pension contributions. The Company intends to include you automatically when the new GPP starts in July 2012.

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

The Company is proposing that the default position is that you will be enrolled in Salary Sacrifice for ordinary pension contributions based on your current contribution rate. However, you will be given the chance to switch contribution rates for the next plan year should you so wish.

**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.**

## 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 do not want to take part in the Salary Sacrifice arrangement, the form you will need to complete when the new GPP starts will provide you with a clear opportunity to be able to elect not to participate. Further details will be provided once the consultation process has been completed and the Company has finalised the new arrangements.**

## 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 if you are not eligible to take part in Salary Sacrifice for pension contributions.

Please note that if you do not return the joining form indicating that you wish to be opted out of Salary Sacrifice for Pension Contributions by the deadline date (which the Company will confirm following the end of the consultation period), then you will be automatically enrolled in Salary Sacrifice for ordinary pension contributions. 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 July 2012 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, you can request to change the level of regular AVCs that you may be making through Salary Sacrifice or to 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.

### **At annual renewal**

You will only be able to change your contribution rate from 6 April each year.

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 able to opt out unless you fail an eligibility condition. If you want to switch contribution rates for the following year, 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, please get in touch using the dedicated e-mail address and phone number we have set up for the consultation period (which ends on 30 April 2012).

E-mail: [alstom.helpline@aonhewitt.com](mailto:alstom.helpline@aonhewitt.com)

Phone: **0845 6062841**  
9am to 5pm, Monday to Friday

These are being operated by a company called Aon Hewitt the professional advisers we have appointed to help us with this exercise.

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).

The Money Advice Service is an independent organisation that provides free, unbiased information about all aspects of financial planning, including pensions and how to find an independent financial adviser (IFA) and what questions to ask. Visit their website at [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk) or phone their helpline on 0300 500 5000 (call rates may vary).

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.

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

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