

Alstom Salary Sacrifice for pension contributions

A summary guide for members of the Alstom UK Group Personal Pension Plan

Through Salary Sacrifice for pension contributions, Alstom Transport UK Ltd (the 'Company') provides a tax efficient way for member contributions to be paid to the Alstom UK Group Personal Pension Plan (the 'Alstom UK GPP') that is designed to help save you money as you save for retirement.

How Salary Sacrifice works

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Through Salary Sacrifice, you do not pay certain regular contributions to the Alstom UK GPP. This includes ordinary contributions and any Additional Voluntary Contributions you choose to make. (You cannot make any one off payments through Salary Sacrifice.)

Instead, you agree to reduce your Pensionable Earnings by an amount equal to the pension contribution you would otherwise have paid, and the Company pays an equivalent contribution into the Alstom UK GPP for you. This is in addition to the matching contribution that the Company pays into your individual account.

How you benefit

If you are under State Pension Age, your take-home pay will go up. This is because you will be paying less National Insurance. (The National Insurance you pay is based on your earnings, which will be lower under Salary Sacrifice.)

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.

The Company intends to use Salary Sacrifice for pension contributions as long as it reduces the National Insurance contributions that members and the Company pays. However the Company may alter or end this arrangement at any time. This guide is based on the Company's understanding of the current laws. These laws and the Company's understanding of these laws may change in the future.

An example

John has Pensionable Earnings of £25,000 and chooses an ordinary contribution rate of 4%. This means that over the year, his account receives £1,000 in ordinary contributions. Under the matching contribution structure in place in the Alstom UK GPP, the Company contributes 6% of John's Pensionable Earnings into his individual account. (This is a further £1,500.)

- Under Salary Sacrifice, John would stop paying regular contributions himself.
- He agrees to 'exchange' £1,000 of his Pensionable Earnings in return for an additional contribution that the Company pays into his account in the Alstom UK GPP.
- The Company reduces John's Pensionable Earnings by £1,000 (to £24,000) and pays a corresponding contribution of £1,000 into his individual account, along with the matching contribution of £1,500 they already pay.

	Outside Salary Sacrifice	Under Salary Sacrifice
Pensionable Earnings	£25,000	£24,000
John's ordinary contributions	£1,000	£0
The Company's contributions	£1,500	£2,500
Total contributions	£2,500	£2,500
Take-home pay		Under Salary Sacrifice, John pays less National Insurance, so his take-home pay is higher than it would otherwise be.

Some things to bear in mind

Taking part in Salary Sacrifice will not affect any payments or benefits that the Company provides based on your salary.

- The Company records your Pre-Sacrificed Annual Salary (your basic salary if you had not taken part in any salary sacrifice arrangement) and uses this to calculate salary related payments and benefits such as overtime and bonuses, and absence related payments such as Company Sick Pay, life cover and redundancy payments.
- The Company will quote your Pre-Sacrificed Annual Salary if you are applying for a mortgage or loan.

Taking part may affect the amount of State Second Pension (S2P) you build up. However, the Company's advisors have carried out checks which indicate that members will save more in National Insurance than they would 'lose' in S2P. For example, a member with Pensionable Earnings of £40,000 who chooses an ordinary member contribution rate of 8% would see an approximate reduction in their S2P of £6 a year. However, their take-home pay would go up by around £384 a year. (For more examples, please see the Salary Sacrifice guide on the Alstom Pensions website.)

The checks the Company has built in to Salary Sacrifice mean that the only work related State payments likely to be affected are the first six weeks of Statutory Maternity Pay, which are based on 90% of average weekly earnings. Members who take part in Salary Sacrifice and become pregnant can ask the Company to opt out.

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, there are a very small number of employees who might not benefit from Salary Sacrifice and the Company will not allow these members to take part.

- To safeguard your entitlement to contribution based State benefits (such as the basic State pension, employment and support allowance, jobseeker's allowance), the Company will only let you take part if your annual basic salary is £7,500 or more.
- If taking part would reduce your pay below the UK National Minimum Wage, 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.

Finding out more

General information about salary sacrifice arrangements is available on the HM Revenue & Customs website at www.gov.uk/salary-sacrifice-and-the-effects-on-pay