

About Pension Contribution Salary Exchange

January 2018

A guide for active members of the Premier Foods DC Group Personal Pension Plan

Pension Contribution Salary Exchange is a more efficient way to make pension contributions that is designed to save you and Premier Foods money.

Salary Exchange schemes have been around for a number of years now and many household names – such as Tesco, Sainsbury's, British Airways and BT – are already arranging pension contributions in this way.

This leaflet explains what Pension Contribution Salary Exchange is and how it will work for you.



In summary

If you pay pension contributions by deduction from your pay:

- You **pay no income tax** on this part of your pay as you get basic-rate tax relief on the contributions. If you are a higher or additional-rate taxpayer, you need to claim this extra tax relief through your tax return.
- You **do pay National Insurance contributions** on the contributions.

When pension contributions are paid by salary exchange:

- You still **pay no income tax**, as your pay is reduced by the amount of your pension contributions; and
- You **pay no National Insurance contributions** on them either.
- **So, your take-home pay goes up.**

In your interest

Taking part in Pension Contribution Salary Exchange is the usual way to pay contributions into the Premier Foods DC Group Personal Pension Plan.

We will enter you into Pension Contribution Salary Exchange automatically unless there is good reason not to.

We explain the checks we will carry out in 'Your entitlement to State benefits' on page 3.

In addition, we will not allow you to take part in Pension Contribution Salary Exchange if this would reduce your pay below the National Minimum Wage or National Living Wage.

However, it is not possible to know each individual member's circumstances and the law does not allow anyone employed by the Company to give you advice about your finances. If you need help with any aspect of your financial planning, please consider taking independent financial advice (see back page).

How it works

The 'technical' term for Salary Exchange is 'salary sacrifice'. But you don't actually 'sacrifice' anything through this process, or lose any money. As the name of our arrangement suggests, it is more of an 'exchange'.

If you build up your retirement savings in the Premier Foods DC Group Personal Pension Plan (your 'plan') by making a regular contribution direct from your pay, this contribution is net of basic rate tax relief, which Legal & General then claim on your behalf and credit to your plan.

Under Pension Contribution Salary Exchange, the Company will pay an amount equal to your pension contribution directly into your plan, along with its own contribution. In return, you agree to your pay being reduced by the same amount.

This means that the same contribution has been paid in to your plan as before – it's just that the Company has paid it in for you.

And if you are a higher or additional-rate taxpayer, you get higher or additional-rate tax relief immediately ('at source'), rather than having to wait and claim it through your tax return.

The Company also provides its Childcare Vouchers and 'Cycle to Work' benefits through Salary Exchange.

How you benefit

The key difference is that the pension contribution does not become part of your pay: the Company pays the contribution separately from paying you.

As a result, your pay is reduced (by the amount of the Pension Contribution Salary Exchange), so you pay National Insurance on this lower amount. This means that your take-home pay will be slightly higher by participating in Pension Contribution Salary Exchange.

The Company pays National Insurance on employees' pay, so taking part in Pension Contribution Salary Exchange, will help the Company make savings too.

If you are off work temporarily

Contributions arranged through Pension Contribution Salary Exchange are calculated in the same way as other Company pension contributions if you are temporarily absent from work.

If you are on paid maternity, paternity or adoption leave, the Company will continue to pay these contributions into your plan on your behalf in full. If at any stage Pension Contribution Salary Exchange would bring your pay below the statutory pay level, the Company will top up these contributions to the full amount.

Your other Company benefits

As a Premier Foods employee, you are entitled to other benefits that are based on your pay. You may be wondering what happens to these benefits if you receive a lower level of pay – do they go down as well?

Pension Contribution Salary Exchange is designed so that it only affects the way pension contributions go into your plan on your behalf.

Your pay before the 'exchange' will be used for pay-related benefits like pension and annual bonus, and for income-related references such as mortgages or rentals. It is also your pay before the 'exchange' that will be used for the purposes of pay reviews.



Your entitlement to State benefits

State benefits are linked to the National Insurance contributions you have paid – which will be lower if you take part in Pension Contribution Salary Exchange. In theory, this may affect your entitlement to these benefits. However, we have built in a number of checks that are designed to reduce this potential impact.

Here is a summary of the different types of State benefits and the checks we have built in.

Contribution-based benefits

Your entitlement to some State benefits is based on the National Insurance contributions you have paid. Examples include the State Pension, Employment and Support Allowance and Jobseeker's Allowance.

To build up an entitlement, you need to earn over an amount called the Lower Earnings Limit. The Government sets the Lower Earnings Limit each year. For the 2017/2018 tax year it is £5,876 and for the 2018/2019 tax year it is £6,032.

We want to make sure that taking part in Pension Contribution Salary Exchange will not adversely affect your entitlement to contribution-based State benefits. As a result, we will not let you take part if your gross pay after all Salary Exchange reductions would be below the Lower Earnings Limit.

Work-related payments

Some State benefits are based on your average weekly earnings. Examples include Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay.

Pension Contribution Salary Exchange reduces the earnings that count for National Insurance purposes. This means that taking part could reduce the amount of these work-related payments.



Making changes

There are occasions when it might be possible to make a change to your Pension Contribution Salary Exchange arrangements.

At annual renewal

Each year we will reconsider Pension Contribution Salary Exchange and check which members are eligible to take part from 1 April. This is the 'renewal date'.

- If you are already taking part in Pension Contribution Salary Exchange at that time, your arrangements will continue automatically.
- If you want, you can change the level of member contributions that your plan receives. This will change the level of normal contributions you make through Pension Contribution Salary Exchange.
- If you are not already taking part in Pension Contribution Salary Exchange at that time, you can ask to start.

We will write to you with more information at that time.

Lifestyle events

There are occasions when it may be possible for you to change your Pension Contribution Salary Exchange arrangements between renewal dates. We call these occasions 'lifestyle events'.

Here are the current lifestyle events:

- Starting a period of absence on reduced pay, or no pay (The only change you can make following this event is to stop taking part in Pension Contribution Salary Exchange)
- Returning to work after a period of absence on reduced pay, or no pay (The only change you can make following this event is to start taking part in Pension Contribution Salary Exchange)
- A significant change to your working hours, for example going part-time
- Being promoted or demoted
- Reaching State Pension Age

If you experience a lifestyle event and want to change your Pension Contribution Salary Exchange arrangements, please contact your site HR contact.

Please be aware that on all occasions, the Company has the final say over whether or not you can take part in Pension Contribution Salary Exchange and the level of normal regular contributions that can be included.

Legal points

We believe almost all of our employees will benefit from taking part – so we will enter you into Pension Contribution Salary Exchange, unless there is good reason not to or you indicate that you do not wish to participate.

By **not** notifying us of your objection to taking part you will be effectively opting-in to the Pension Contribution Salary Exchange and agreeing to a variation to your contract of employment with effect from the date that you join the Plan. From that date, your pay will be reduced as described on page 2. No other terms of your contract of employment will be affected.

Although we check to see if you might be worse off through taking part in Pension Contribution Salary Exchange, we are not allowed to give you advice about your finances. If you need help with any aspect of your financial planning, please consider taking independent financial advice.

The Money Advice Service is an independent organisation set up by the Government and funded by a levy on the financial services industry. It 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 or phone their helpline on 0800 138 7777 (call rates may vary).

You can find details of IFAs in your area online at www.unbiased.co.uk.

Before you take advice from anyone, make sure they are qualified and authorised to provide you with the assistance you need with your pension planning. The Financial Conduct Authority, the independent non-governmental body that regulates the financial services in the UK, can help you do this. Visit their website at www.fca.org.uk/register or phone their consumer helpline on 0800 111 6768.

You should also find out how much the adviser will charge for any advice they give.