

Lafarge UK Pension Plan

Your guide to PenXchange

A smarter way to make pension contributions

What is PenXchange?

PenXchange is a Salary Sacrifice arrangement approved by HMRC. It is a cost effective way to contribute to the Lafarge UK Pension Plan. **PenXchange** has been available to employees since April 2007.

By participating in **PenXchange**, most employees reduce the amount of National Insurance (NI) contributions they would otherwise pay, therefore increasing their take-home pay. It is **not** another pension; it's simply a more cost effective way of paying into the Pension Plan.

All members expected to benefit will now automatically be included in **PenXchange**, so there's nothing you need to do to join. If you decide you do not want to take part, you can opt out of **PenXchange**.

A small number of members might not benefit from **PenXchange**, and if you're in this group, you will automatically not be included.

The Company will also benefit from NI savings, reducing costs which supports the long-term success of our business.

This guide explains how **PenXchange** works in more detail.

How does PenXchange work?

1. You stop making pension contributions to the Lafarge UK Pension Plan.
2. The Company reduces your pay by an amount equal to the contributions.
3. The Company pays an additional amount directly into the Pension Plan, equal to your contributions, to make up the difference.
4. This means you pay less NI, so your take-home pay will **increase**.

Although the **same** amount of money goes into the Pension Plan on your behalf, it is **all** paid by the Company. As a result, both you and the Company pay less NI.

We will still keep a record of your pay before **PenXchange**. We call this your Benefit Pay which will be used for any pay-related calculations, such as pay reviews, overtime and bonuses, so they

are not affected by **PenXchange**. It will also be the amount used in any letters issued by the Company on your behalf, e.g. mortgage letters, loan applications or job references.

5 reasons why PenXchange is good for you

1. You pay less NI so your take-home pay goes up, without affecting your income tax	✓
2. Your pay reviews, any bonuses, allowances and overtime are not affected	✓
3. Your pension benefits are not affected	✓
4. Your other Company benefits are not affected	✓
5. Your basic State Pension is not affected	✓

PenXchange will apply to both your regular and additional voluntary contributions (AVCs) that you make into the Pension Plan. However, it will exclude any one off lump sum AVCs you choose to make.

Please note that by participating in PenXchange you are agreeing to a change in your terms and conditions of employment.

What are the possible National Insurance savings?

The following table illustrates how much you can expect your take-home pay to increase by each year, based on current contribution levels, from participating in **PenXchange**, and therefore paying less NI.

Annual Pensionable Pay ie pay less State Pension Deduction £	Your Regular Contribution Rate			Additional Voluntary Contributions (AVCs)
	3%	5%	6%	Each additional 1%
£10,000	£36	£60	£72	£12
£15,000	£54	£90	£108	£18
£20,000	£72	£120	£144	£24
£25,000	£90	£150	£180	£30
£30,000	£108	£180	£216	£36
£35,000	£126	£210	£252	£42
£40,000	£144	£240	£288	£48
£50,000	£30	£50	£60	£10
£60,000	£36	£60	£72	£12

Why do NI saving rates vary for different pay levels?

The rate of NI that you pay depends on how much you earn. For earnings below the Upper Earnings Limit (UEL) of £42,385, the employee NI contribution rate is currently 12%. For earnings above the UEL of £42,385, the NI contribution rate is 2%.

Notes:

1. Examples are based on 2015/16 tax and NI rates.

2. Annual basic pay is assumed to be total gross annual earnings and to equal annual pensionable pay for the purposes of providing estimated annual savings.

Example payslip

Based on a member earning £25,000 per year with a Basic Rate Tax Code for 2012/13 and, currently making a 5% contribution.

Without PenXchange

Payments		Deductions		This period	
Basic salary/base hours	2083.33	Tax	224.02		
		NI	169.36		
		Pension	79.90		
Payments	2083.33	Deductions	473.28		
				NET PAY	1610.05

With PenXchange

Payments		Deductions		This period	
Base Sal	2083.33	Tax	224.02		
PenXchange	-79.90	NI	159.77		
Payments	2003.43	Deductions	383.79		
				NET PAY	1619.64

Benefit Pay before PenXchange is used to calculate all Company pay-related benefits

NI reduces

Pension contribution remains same – becomes a 'negative payment'

Net pay increases

As a result of **PenXchange**, the member increases their take home pay by £115.08 a year (£9.59 per month).

Note: Examples are based on 2015/2016 tax and NI rates and a standard tax code of 1060L. Actual take-home pay will depend on an individual's tax code.

Who might not benefit from PenXchange?

Although the majority of members will benefit from **PenXchange**, there are some who may not for various reasons.

These include:

- **Members that earn less than the Primary Earnings Threshold** for NI of £8,064 (about £155 per week) for the 2015/16 tax year. This is because they would not make any savings as they only start making NI Contributions from this level. Also, if they earn less than the Lower Earnings Limit (LEL) of £5,824 for the 2015/2016 tax year, they may see their State benefits (such as Statutory Sick Pay, Incapacity Benefit and Job Seekers Allowance) affected.

The Company has therefore introduced a Pay Protection Limit which at £8,500 is above the Earnings Threshold and protects against nearing this limit. Anyone earning below this level will automatically not be included within **PenXchange** to ensure that they are no worse off.

- Although the Company does not pay below the National Minimum Wage (NMW), there may be **members whose pay could fall below the NMW** by participating in **PenXchange**. These members will not be able to participate, as we cannot allow pay to fall below the NMW.

The Company will undertake a monthly check via payroll to identify if you fall below either of these thresholds and if so, you will be opted out at that point. This check will also take into account any other salary sacrifice benefits that you may participate in (childcare vouchers or the cycle to work scheme). We will contact you if you fall below the Pay Protection Limit to confirm the action to be taken to protect your State benefits.

Please note that if your pay increases over these thresholds later on, you will automatically be opted back into **PenXchange** effective from the following 1 April.

PenXchange will not normally reduce Working Tax Credit or Child Tax Credit. If you are in receipt of these tax credits and have any concerns, you should call the Tax Credit Helpline (on **0845 300 3900** between 8am and 8pm) for advice on how it will impact your tax credits as it depends on your personal circumstances. If you are in receipt of other State benefits, you should check with the relevant authority to explore any impact there may be on those benefits.

What do I do next?

If you want to take part in **PenXchange** you do not need to do anything.

However, if you want to opt out, please contact the Pensions Helpline on 01306 872211 for an opt out form. You must complete the form and return it to The Pensions Team Regent House, Station Approach, Dorking Surrey, RH4 1TH. If you opt out of PenXchange you'll pay contributions as a deduction from your pay and will not benefit from any NI saving.

Taking part in PenXchange is a change to your contractual terms and conditions of employment.

If you've not opted out of PenXchange you will be deemed to have agreed to this change if you carry on working after joining the pension scheme without raising any objection.

Frequently asked questions

Does PenXchange affect my overall pension position?

No. Your pension will continue to build up as it did previously and remains a valuable benefit to you.

Are other companies doing this?

Many other large organisations have already introduced an arrangement like **PenXchange**, including BT, Atkins,, Rolls-Royce, Tesco and ASDA. Indeed at Lafarge, PenXchange was introduced to members some years ago and is now being further extended.

Will Additional Voluntary Contributions (AVCs) be included in PenXchange?

Yes, AVCs will also be included in **PenXchange**.

Can I include my regular PensionBuilder*plus* contributions in PenXchange but not my AVCs?

Yes it is possible to participate in **PenXchange** for your regular contributions but to opt out in respect of your AVCs .

Can I change my AVCs in the future if my situation changes?

Yes you.

Can I opt out of PenXchange now?

Yes, if you do not want to participate, you will need to complete an opt out form and return it to The Pensions Team, Regent House, Station Approach, Dorking Surrey, RH4 1TH. If you opt out you will not benefit from any NI savings.

Can I opt out of PenXchange in the future?

Yes you will be able to opt out of **PenXchange but only at each April or if you experience a Lifestyle event**. Also, if your pay drops below the pay protection limit (currently £8,500 a year), or National Minimum Wage you'll automatically be removed from **PenXchange** so you aren't disadvantaged.

If I decide to opt out of PenXchange, can I opt back in?

You will be able to opt back in at a future April. You should contact The Pensions Team Regent House, Station Approach, Dorking Surrey, RH4 1TH in writing if you wish to do so.

If I am automatically opted out can I opt back in?

Yes, provided your gross salary does not reduce below the National Minimum Wage. However if you have been opted out of **PenXchange** it is unlikely that you will benefit from opting back in unless your pay has subsequently increased to a level above the Pay Protection limit.

If I am on an international assignment secondment will I be eligible for PenXchange?

If you are receiving an Expatriation Net Salary (tax equalised) package, your build up is usually calculated using hypothetical reductions for UK taxes, national insurance (NI) and pension contributions (including PenXchange). If UK Class 1 NI is payable during your international assignment (usually EC countries) you will remain in PenXchange with NI and Pension contributions paid by the company. For any period where no UK tax or NI is due, pension contributions will be continue to be paid by the company but PenXchange will not apply.

What happens if I go on sick leave?

As long as you continue to receive a monthly salary that is more than 1/12th of £8,500 and would not otherwise fall below the National Minimum Wage, you will participate in **PenXchange**.

What happens if I go on unpaid leave?

When your earnings drop below 1/12th of £8,500 in any given month, you will automatically be opted out of **PenXchange** but will still remain a member of the Lafarge Pension Plan. When you return from your period of unpaid leave, you will automatically be included in **PenXchange** from the next pay period.

What happens if I go on maternity leave?

You will remain a member of the Plan and Lafarge will continue to pay contributions, for at least the period of your paid maternity leave, based on your pre maternity pay. Details will be made available to you at the time.

What happens if I have a student loan?

Student loans are based on pay that is subject to NI (NI'able salary). If NI'able pay in the month is £1,750 or above, student loan deductions are made. As **PenXchange** reduces pay (and hence the NI that is payable), the amount of student loan repayments you make may therefore reduce.

PenXchange may result in earnings falling below the monthly threshold of £1,750 in which case no student loan repayments would be made.

What happens if I leave employment?

If you leave and have been a Pension Plan member for two years or more your benefits will not change because of **PenXchange**. Your benefits will be secured as normal.

Under **PenXchange**, you no longer make pension contributions. Members who leave before completing two years' Pensionable Service are therefore not entitled to a refund of contributions. In this instance you will instead have the option of transferring the value of your entire pension benefit to another pension arrangement, as long as you have been in the Plan for more than 3 months. Leavers with less than 3 months service will receive no benefit. From the 1 October 2015 the law changes and provided you joined after that date, leavers with less than 30 days pensionable service will receive no benefit but leavers with more than 30 days service will receive a benefit.

Why are my terms and conditions of employment changed?

To benefit from the reduction in NI, it is necessary to reduce your contractual gross salary and increase the employer pension contribution, which is a change to your terms and conditions of

employment. This is the only change and there is no effect on any other element of your salary or benefits. In fact, most employees will be better off by participating in **PenXchange**.

Do I need to sign a new contract of employment?

No. You will be deemed to have accepted the new terms (unless you opt out) and your existing contract will be varied to this effect.

Will PenXchange affect any benefits I get from the State?

Entitlement to some State benefits, such as the basic State Pension, Statutory Sick Pay, Employment and Support Allowance and Job Seekers Allowance are based on the amount of National Insurance that has been paid.

Provided you continue to earn more than the Primary Earnings Threshold, currently around £8,064 a year, on a regular basis after the introduction of **PenXchange**, your entitlement to these State benefits will not change. The Company is also introducing a pay protection limit, which at £8,500 is above the Earnings Threshold, to protect against you nearing this limit.

If you're over State Pension Age and don't pay any NI, you won't make any NI savings. However, as the Company will make savings on the NI it pays you will still be included in **PenXchange** unless you opt out.

If you are unsure as to whether you should participate in **PenXchange** you should seek your own independent financial advice.

Will PenXchange affect the amount of State Pension I will receive at retirement?

The State Pension is made up of two parts:

1. Basic State Pension

PenXchange will not affect your basic State Pension.

2. State Second Pension (S2P) – Previously SERPS

This is the additional pension over and above the basic State Pension. As a member of the Pension Pay you are entitled to S2P

Because the amount of S2P you receive depends on your earnings and the amount of NI contributions you have paid, **PenXchange** may affect the amount of S2P you receive because you will pay less NI. Here's how it works:

For 2015/16:

- If your earnings that are assessable for NI are less than approximately £15,000, or more than around £40,000 a year, your S2P will not be affected.
- If your assessable earnings are between around £15,000 and £40,000 a year, your S2P will reduce, but the NI you save is likely to be greater than the value of the reduction in S2P.

If you are unsure and would like to find out more, we recommend that you consider seeking independent financial advice.

For 2016/2017 onwards

- From 6 April 2016 this two tier system will become a new one tier level system and other than needing to earn sufficient earnings to pay National Insurance Contributions (£5,824) it is no longer earnings related.

How long will PenXchange last?

The Company plans to operate **PenXchange** indefinitely. However, if tax, NI or pension law is changed, or if it is no longer viable, the Company reserves the right to withdraw **PenXchange**.

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Important Notes

1. Your contributions to the Lafarge UK Pension Plan and your benefits under the Plan are provided only on the terms and subject to the conditions set out in the Trust Deed and Rules applicable to the Plan as from time to time amended. If there are any differences between the changes outlined in this guide (as they relate to your level of contributions into, and your benefits from, the Plan) and the Trust Deed and Rules, the applicable Trust Deed and Rules, as amended from time to time, will apply.
2. References to the Company in this document are, as the context may require, your employer or the Principal Company in relation to the Plan.
3. The Company reserves the right, at its discretion, to amend this document. This note 3 overrides the preceding provisions of this document in case of any conflict. The Company will send you notice of any changes which affect you.

Issued by: The Lafarge Pensions Team , Regent House, Station Approach, Dorking, Surrey, RH4 1TH