A smarter way of saving for your Pension

This guide tells you about Pension Saver which is a more cost effective way of saving for your pension
Pension Saver is not another pension plan. It’s simply a more effective way of saving in the Asda Pension Plan (“the Plan”). It means that Colleagues and Asda will both pay lower National Insurance (NI) contributions.

We expect almost all Colleagues to benefit. So, if you join the Plan, you will be automatically included in Pension Saver unless you tell us you wish to opt-out. **By entering into Pension Saver, you will be agreeing to a change to your terms and conditions of employment with effect from the date you join the Plan.**

This is explained in more detail in the Questions & Answers later in this guide. Details of how to opt-out of Pension Saver are also included.

**How will I benefit?**

Pension Saver is a more efficient way of saving for your pension benefits compared to making contributions in the traditional way. The same amount of money will go into your pension account but in a different way.

**“Cost effective for Colleagues and Asda”**

**This is how it works:**

- You don’t pay a contribution
- Instead, Asda pays an amount into your pension account equal to the contribution you would have paid
- As you will not pay pension contributions, your contractual gross salary will be reduced by the amount you would have paid as a contribution. We call this the Pension Saver adjustment
- The result is that you will pay less NI contributions and, therefore, have more take-home pay compared to making contributions in the traditional way
- The amount going into your pension account will be based on your pay before the reduction, which means the same amount of money goes in

We will still keep a record of your salary before the reduction. We call this “Base Pay”. This will be used to calculate all salary related benefits such as pay reviews, bonuses and share option entitlements. It will also be used to determine the contributions that Asda will pay into your pension account

**This will make sure that no other benefits provided by Asda are affected in any way by Pension Saver.**

**What should I consider?**

We have designed Pension Saver so that as many Colleagues as possible benefit from taking part. However, Colleagues who earn less than a certain amount after the Pension Saver Adjustment may not benefit because some state benefits could be affected. So that you will not be worse off, we will automatically opt you out of Pension Saver if you earn less than this amount. We call this the Protection Point.

In the Start section the Protection Point is £626 each four weekly pay period.

In the Step Up section the Protection Point is £604 each four weekly pay period.

The Protection Points we use are expected to increase each April.

We do not expect that there will be many Colleagues who fall in to this group.

Further information is given in the Questions & Answers section later in this guide.

Anyone who opts-out of Pension Saver, either automatically or by choice, will pay contributions from their salary in the traditional way and will not benefit from any NI saving.

**Taking part in Pension Saver is a change to your contractual terms and conditions because your contractual gross salary will be reduced by your contribution rate. If you have not opted-out of Pension Saver you will be treated as having accepted the change to your contractual terms which will take effect from the date you join the Plan.**
We have prepared some Questions & Answers which are included later in this guide. These cover the most common queries you may have. If you have any further questions please contact the Pensions Team at Asda House by phone on 0113 826 4854 or by email at pensions@asda.co.uk

An example of Pension Saver for someone in the Step Up section who has chosen a contribution rate of 2%

<table>
<thead>
<tr>
<th>Opted-out of Pension Saver:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual salary</td>
<td>£22,000 p.a.</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>£440 p.a.</td>
</tr>
<tr>
<td>Taxable pay</td>
<td>£21,560 p.a.</td>
</tr>
</tbody>
</table>

You would have to pay tax and NI on £21,560 and you (and Asda) pay additional NI on the £440 pension contributions you make.

<table>
<thead>
<tr>
<th>Under Pension Saver:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td>£22,000 p.a.</td>
</tr>
<tr>
<td>Pension saver adjustment</td>
<td>-£440 p.a.</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>£-p.a.</td>
</tr>
<tr>
<td>Taxable pay</td>
<td>£21,560 p.a.</td>
</tr>
</tbody>
</table>

You will only pay tax and NI on £21,560 (i.e. your pay after allowing for the Pension Saver adjustment. This is your revised contractual pay).

Also to make sure the same amount of money goes in your pension account, Asda will pay additional contributions of £440 a year.

In this example the increase in your take home pay will be approximately £52 a year. The saving varies depending on your total pay and the contribution rate you have chosen.

Please note that all amounts shown in this guide are calculated as at April 2012 and are subject to future changes in line with legislation.

“We’ve designed Pension Saver so that it’s clear and easy to operate. We also want to make sure Colleagues have all the information they need.”
Questions & Answers

General

Q) How much will I save by taking part in Pension Saver (rather than making contributions in the traditional way)?
A) The amount of NI you save depends on your total pay and how much you would otherwise pay in contributions. This table gives you an idea of the sort of saving you could make:

<table>
<thead>
<tr>
<th>Total earnings</th>
<th>Annual increase in take home pay (Start section - 1% contribution rate)</th>
<th>Annual increase in take home pay (Step Up section - based on a 2% contribution rate)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000</td>
<td>£11</td>
<td>£24</td>
</tr>
<tr>
<td>£15,000</td>
<td>£17</td>
<td>£36</td>
</tr>
<tr>
<td>£20,000</td>
<td>£23</td>
<td>£48</td>
</tr>
<tr>
<td>£30,000</td>
<td>£35</td>
<td>£72</td>
</tr>
<tr>
<td>£40,000</td>
<td>£47</td>
<td>£96</td>
</tr>
<tr>
<td>£45,000</td>
<td>£53</td>
<td>£18</td>
</tr>
<tr>
<td>£50,000</td>
<td>£59</td>
<td>£20</td>
</tr>
</tbody>
</table>

*If you’re in the Step Up section and want to get an idea of the saving based on a different contribution rate, just divide the savings in right hand column above by 3 and then multiply by the contribution rate. For example, the sort of saving you may make with a 3% contribution rate on earnings of £30,000 is £72 ÷ 2 x 3 = £108.

Q) Why does the NI saving reduce when the earnings exceed £45,000?
A) It actually reduces when earnings exceed £42,484 because the rate of NI reduces from 12% to 2% on income above this level. This means that the NI saving is also restricted to 2%.

Q) Will Pension Saver affect my income tax position?
A) No, there will not be any change.

Q) How will it look on my payslip?
A) We explained earlier in this guide that your contractual gross salary will be reduced by an amount equal to your contribution rate (up to a limit). This contractual reduction will be shown on your payslip as an adjustment called “Pension Saver Adjustment”. Your payslip will also show your pay before any adjustment for Pension Saver. This is what we refer to as “Base Pay”.

Q) Why does Asda operate Pension Saver?
A) Pension saver is a more cost effective way of saving for your pension which results in savings to Colleagues by reducing your NI contributions. At the same time it is an efficient way of delivering savings to Asda by reducing the amount of NI contributions it pays. All savings help contribute to the ongoing growth of the business which in turn benefits us all.

Q) Do other Companies do this?
A) The same sort of arrangements have been introduced by a wide range of employers in both the public and private sector, including some of our competitors.

Q) I’m over State Pension Age. Will I benefit from Pension Saver?
A) No, because if you are over State Pension Age you do not pay NI contributions anyway. We will, however, still include you in Pension Saver as Asda will still make a saving which is good for the business and in turn benefits us all.

Q) How are my contractual terms and conditions changing?
A) The way that Pension Saver works is that, instead of paying contributions in the traditional way, your contractual gross salary is reduced and Asda pays an extra contribution equal to this reduction in pay. Because your pay is reduced in this way, this is a change to your terms and conditions. Your terms and conditions are not being changed in any other way.

“Pension Saver makes sense for Colleagues and the business.”
Pension Saver and other Asda Benefits

Q) Will I be able to change the level of contributions going into my pension account?
A) If you are in the Step Up section, you can increase the level of contributions going into your pension account under Pension Saver at any point during the year. However, you will only be able to reduce the level of contributions going into your pension account on the renewal date which will be in March each year or if you experience a “lifestyle event”.*.

*see second question on page 7 for details of lifestyle events.

If you are in the Start section the contribution rate is fixed at 1% of your Qualifying Earnings.

Q) Will all contributions be made under Pension Saver?
A) Pension Saver will apply to contributions up to the maximum contribution rate you can choose as shown in your application pack or Plan guide. If you choose to pay Additional Voluntary Contributions (AVCs) these will be paid by you in the traditional way.

Q) If I choose to pay additional one-off contributions to my pension account, will these be included in Pension Saver?
A) No, only the regular four weekly amounts will be included and any additional one-off contribution will have to be made as a payroll deduction.

Q) Will Pension Saver affect the amount of money paid into my pension account?
A) No, the same total pension contributions will go into your pension account whether or not you take part in Pension Saver.

Q) Will Pension Saver affect any other Asda benefits I receive?
A) No, Pension Saver will not reduce any salary-related payments or any other benefits you receive from Asda.

Any future pay increases and all other related benefits, such as bonuses and share option entitlements will be calculated on your “Base Pay”, and are therefore unaffected by Pension Saver.

Your “Base Pay” will be given for mortgage reference letters, so it should not impact the amount of any mortgage you take out, or your credit rating.

Q) What happens if I leave the Plan?
A) If you leave the Plan, Pension Saver will stop.

If, when you leave, you have more than two years’ membership, Pension Saver will not change anything. Normally, members who leave with less than two years’ membership are entitled to a refund of the value of their own contributions. Under Pension Saver you will not make contributions so there will be nothing to refund. So, if you leave with less than two years’ membership, a special payment can be made to you to put you in the same position you would have been in had Pension Saver never been introduced.

Q) Are death benefits affected?
A) No, there is no impact on death benefits.
Pension Saver and Statutory benefits

Q) Will Pension Saver impact any benefits I get from the State?
A) Entitlement to some state benefits, such as statutory sick pay, incapacity benefit and Jobseeker’s Allowance are based on the amount of NI contributions that have been paid. Colleagues earning below the Protection Point (see page 2) are automatically opted-out of Pension Saver to make sure state benefits are not impacted.

Although Pension Saver could reduce the amount of statutory entitlement to parental payments, Asda will ensure that Colleagues are no worse off by paying a top-up amount. Pension Saver will not reduce any maternity, paternity or adoptive payments you receive from Asda.

Q) Will Pension Saver impact the income tax credits I get from the State?
A) No – Pension Saver will not affect any income tax credits that you may receive.

Q) Will Pension Saver impact any pension I am entitled to from the State?
A) The state pension is made up of two parts:

**Basic State Pension (BSP)**
Provided that you continue to earn more than around £7,500 a year, Pension Saver will not affect the Basic State Pension (BSP). Having the Protection Point it means no colleague’s BSP will be affected.

**State Second Pension (S2P)**
Those earning less than £14,400* or more than £40,500* a year.

Pension Saver will have no impact on your S2P.

Those earning between £14,400* and £40,500* a year.

There will be a small reduction to your S2P when you retire, however the savings you enjoy while taking part in Pension Saver will be significantly higher than the reduction in your S2P.

There is a fact sheet with further details and an example of the impact on S2P. If you would like one of these, please contact the Pensions Team.

* These earning levels are expected to increase each year.

“Pension Saver is a more efficient way of saving your pension benefits”
Opting-out of Pension Saver

Q) If I wish to join the Plan but do not wish to join Pension Saver, how do I opt-out of Pension Saver?

A) If you’ve been auto enrolled into the Start section then you’ll need to contact the Asda Pensions Team to request to opt-out of Pension Saver.

If you’re applying to join the Step Up section you will need to tick the box on the application form to say that you do not want to take part in Pension Saver.

If you opt-out of Pension Saver you can subsequently decide to opt-in from March each year by contacting the Pensions Team.

If you do not opt-out of Pension Saver you will have the option to change your mind each March by contacting the Pensions Team.

Taking part in Pension Saver is a change to your contractual terms and conditions. You will be treated as having accepted the change to your contractual terms with effect from the date on which you join the Plan if you have not opted-out prior to that date.

Q) How long will Pension Saver last?

A) There is no end date planned. However, if tax, NI or pensions law changes, or it is no longer viable for Asda to operate Pension Saver, Asda reserves the right to alter any aspect of it or withdraw it altogether.

If Pension Saver is withdrawn your salary will be adjusted to the level it would have been at had Pension Saver never applied and you would begin making pension contributions in the traditional way. However, you would not have to pay back any of the additional take-home pay you had received from the reduction to your NI contributions.

If you’ve got any questions, the Pensions Team can be contacted by phone on 0113 826 4854 or by e-mail at pensions@asda.co.uk.

Q) Can I opt-out of Pension Saver at a later date?

A) You’ll not be able to opt-out of Pension Saver until March 2013 unless you experience a lifestyle event such as the following:

- Marriage or civil partnership;
- Birth or Adoption of a child;
- Notification of Maternity/Adoption/Additional Paternity Leave or commencement or return from Maternity/Adoption/Additional Paternity Leave;
- Divorce/legal separation/dissolution of civil partnership;
- Death of a partner or dependant;
- Material changes in partner circumstances (for example redundancy);
- Commencement of, or return from, unpaid leave greater than 3 months;
- Commencement of, or return from, long-term sickness;
- A significant change in hours;
- A significant change in contractual gross pay;
- Commencement of or return from an overseas secondment;
- Reaching State Pension Age;
- Taking, or ceasing to have a place with a registered child carer;
- Leaving the Plan

Taking part in Pension Saver is a change to your contractual terms and conditions. If you have not opted-out (by calling the Asda Pensions team if you’re in the Start section or by ticking the box on the Step Up application form), you will be treated as having accepted the change to your contractual terms with effect from the date you join the Plan.