

## **Pay Exchange FAQs**

### **1 How will Pay Exchange affect my pension and life assurance benefits?**

- 1.1 Your pension and life assurance benefits are not affected by Pay Exchange.
- 1.2 Under HMRC rules, people who build up substantial pension and life assurance benefits are subject to certain maximum limits (the Lifetime Allowance and the Annual Allowance). These apply to only a small number of members and you will be aware if this affects you.

### **2 Should everyone participate in Pay Exchange?**

- 2.1 There are a few people who will not benefit and some who cannot participate. These include those earning close to the National Minimum Wage (currently £6.19/hour for workers aged 21 and over). As Northern Foods is unable to pay anyone less than the minimum wage, if Pay Exchange would reduce your pay below this, you will not be able to participate. In addition, some State benefits may be affected, see 3 and 4 below.

### **3 How will Pay Exchange affect my entitlement to State Pension?**

- 3.1 State Pension is currently made up of two parts; the flat rate Basic State Pension (or 'old age pension') and the earnings related State Second Pension.
- 3.2 Members who earn less than the Earnings Threshold (£109 a week/£5,668 a year for 2013/14) will not benefit from any NI savings and may see their Basic State Pension affected by Pay Exchange.
- 3.3 The State Second Pension (S2P) (or SERPS as it was known before April 2002) is currently earnings related. As a member of the Scheme you are contracted out of S2P, so this part of the State pension does not apply to you for the period of your pensionable service in the Scheme. In other words, if you continue membership in the Scheme, S2P is unaffected.
- 3.4 If you do not wish your State Pension to be affected, you may wish to join the contributory section of the Scheme instead of Pay Exchange. If you want to find out more about the impact on your State Pension, see the contact details below.

### **4 What about other State benefits/entitlements?**

- 4.1 Any State benefits/entitlements that are based on earnings or the amount of NI paid could be affected. Statutory Maternity Pay, Statutory Sick Pay, Statutory Redundancy Pay, Incapacity Benefit, Jobseeker's Allowance, Income Support and Housing Benefit could be reduced. The Company will make top-up payments to ensure that your entitlement to Statutory Maternity Pay is not affected. Company Sick Pay and Company Maternity Pay will similarly be based on pre-pay exchange pay levels.
- 4.2 Members who earn less than the Earnings Threshold (£109 a week/£5,668 a year for 2013/14) will not benefit from any NI savings and may see their State benefits affected by Pay Exchange.
- 4.3 If you want to find out more about the impact on your State benefits, see the contact details below.

## **5 Will Pay Exchange affect my credit rating for loans, mortgages etc.?**

5.1 The Company will be able to provide documents to confirm the Pay Exchange arrangements that will have been introduced. These will show that your pay before the pay exchange is made up of both your earnings after the pay exchange plus the amount of the pay exchange. You can then pass this information on to any lender. Please remember mortgage lenders quite often make lending decisions based on affordability criteria not just earnings levels.

## **6 What if I want to remain a member of the Scheme but wish to opt-out of Pay Exchange?**

6.1 In this case your pay will not be exchanged for pension contributions. You will therefore receive your normal pay but make pension contributions which will be deducted from your pay. You will receive tax relief on your pension contributions, but you will not achieve the National Insurance (NI) saving. Your associated Scheme benefits will be the same and will depend on which level of membership you choose.

## **7 Can I change my mind about opting out of Pay Exchange?**

7.1 Yes, you can opt-out of Pay Exchange or back in, but only at a future scheme anniversary date (1 April); or in the event of a major lifestyle event, such as:

- Marriage or change in partner status;
- Birth of son/daughter;
- Change in dependants;
- Return to work after maternity leave;
- Contractual change to job or working hours
- Permanent change of work location; and
- Short term overseas assignment or sabbatical

In this event, you should contact the Pension Department.

## **8 Are there any employees who should consider opting-out of Pay Exchange?**

8.1 There are some groups who should consider carefully whether it is advantageous to participate in Pay Exchange, in particular those whose earnings are close to £109 a week or £5,668 a year in tax year 2013/14. Because Pay Exchange might reduce them below this amount it would affect their entitlement to certain State benefits or the Basic State Pension and they should consider the issue carefully. Those who earn close to the National Minimum wage should also consider the impact of Pay Exchange.

## **9 What if I want to find out more about the impact on my State benefits?**

9.1 You should contact the Department for Work and Pensions. For general enquiries contact your local social security office or pension centre. If you wish to find out more about the impact on your State Pension or request a free State Pension forecast, you can visit the Government's Pension Service website at [www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)

## **10 What if I want more specific advice on what to do?**

10.1 You can contact an Independent Financial Adviser (IFA) in your area by calling IFA Promotions on 0800 0853250, or via the IFA Promotions website [www.unbiased.co.uk](http://www.unbiased.co.uk).