

Jaguar Land Rover Defined Contribution Fund
Pension Salary Sacrifice (PSS)
(New Employees)
Frequently Asked Questions

1. What is the Pension Salary Sacrifice (PSS)?

This is an arrangement approved by Her Majesty's Revenue & Customs (HMRC). It allows the Company to convert a contributory pension plan into a non-contributory plan thus enabling savings of National Insurance (NI) for employees and the Company.

Participating in PSS means that you agree to give up part of your current 'gross basic pay' (i.e. your basic pay before deduction of tax and NI) by an amount equivalent to the amount paid in employee pension contributions. This reduction is known as a 'salary sacrifice', and your current gross basic pay will become your 'notional basic pay'. The Company increases its pension contributions by an equivalent amount.

Due to the reduction in your gross pay you will pay less NI and actually receive a higher net pay (i.e. your 'take home' pay after tax/NI and pension contributions), without affecting your pension fund when comparing your pay to contributing to the arrangement before and after PSS.

2. Is PSS right for me?

You will be automatically included within PSS from the date you join the Jaguar Land Rover Defined Contribution Fund.

PSS will benefit all UK employees whose pay is above the lower earnings limit (LEL) after the salary sacrifice has been deducted. In the 2014/2015 tax year you have not been put in the arrangement if your pay is below £5,772 a year (£111 per week) or if you are based overseas. Should your pay fall below this level you should opt-out of the arrangement.

3. What is my notional basic pay?

For the purposes of HMRC, your original pay before the deduction of the salary sacrifice will be termed your notional basic pay and it is on this notional basic pay that the value of the salary sacrifice will be calculated. Your pay after sacrifice will be referred to as your actual basic pay.

4. How much will I sacrifice from my gross basic pay?

Instead of your pension contribution being deducted net of basic rate tax and then being grossed up by the Provider (please see Fund booklet for further details) before being applied toward your pension fund, you will sacrifice your current gross contribution rate from your gross basic pay and the Company will increase its contributions by a corresponding amount. Therefore the same overall contribution rates will be applied towards your pension fund.

5. What happens at pay reviews?

Pay reviews will not be affected by PSS. All pay increases will be calculated by reference to your notional basic pay (i.e. your basic pay before any salary sacrifice).

6. Will my overtime rate/shift allowance be affected by PSS?

No.

7. Will this affect my other Company benefits?

Any other benefits you receive through the Company will not be affected by PSS.

8. What about other state benefits/entitlements?

Any state benefits/entitlements that are based on pay subject to NI could be affected by the reduction in your gross basic pay. However this will not affect the majority of employees joining PSS. For example, Statutory Maternity Pay (SMP), Statutory Paternity Pay, Statutory Adoption Pay and Statutory Redundancy Pay (SRP) could be reduced, whilst Working Tax Credit (WTC) and Child Tax Credit (CTC) could be increased.

The potential impact of PSS is significant if you have low earnings and these are brought below the National Insurance Lower Earnings Limit (LEL) (which is £5,772 per annum in the 2014/15 tax year). If you have been identified as having earnings below the Lower Earnings Limit due to membership of PSS you will not be entered into the arrangement.

Entitlement to state benefits is a very complex area. If you currently claim any state benefits you should contact the relevant government agency for advice as to how PSS may affect your entitlement to these state benefits. Further guidance can be found at www.hmrc.gov.uk or www.dwp.gov.uk. If a change in your circumstances occurs so that you will be entitled to a statutory benefit that has been identified as being adversely affected by PSS you should contact HR Customer Operations (see Q27) about this lifestyle event and the options available to you (see Q22).

9. What about sick pay?

In order to qualify for Statutory Sick Pay (SSP), your earnings have to be above the LEL. Under current rules, SSP is paid for 28 weeks. Company Sick Pay, which includes SSP, will be based on your notional basic pay and included in PSS.

10. What happens if I go on long term sick?

If you have a long-term absence from work, and have exhausted entitlement to Company Sick Pay and SSP, and you have no pay to sacrifice the Company's pension contributions will be nil during this period. You will be suspended from PSS during the period of long term absence as this will constitute a lifestyle event.

11. What about maternity pay?

Statutory Maternity Pay (SMP) is based on the amount of average weekly earnings during the 8 week period, 15 weeks prior to the expected date of childbirth. 90% of these average earnings are paid as SMP for the first 6 weeks of maternity leave. The remaining 33 weeks are paid at the SMP rate of 90% of average weekly earnings, whichever is lower. More details regarding maternity arrangements can be found in the employee handbook.

Company Maternity Pay, which includes SMP will be based on your notional basic pay and included in PSS.

If an employee were to continue to participate in PSS during maternity leave, they would receive a reduced level of SMP (as SMP is based on average earnings during the 8 week period, 15 weeks prior to expected date of birth and PSS reduces average earnings). However, you are able to opt out of PSS 23 weeks before the expected due date so that your contractual salary can be increased to the pre sacrifice level in order to maximise SMP and avoid this reduction (see Q22). You will then contribute to your pension with your pension contribution being deducted net of basic rate tax and would then be grossed up by the Provider (please see Fund booklet for further details). Should you decide not to opt out of PSS, where there is insufficient income above SMP to sacrifice the contribution amount then your participation in PSS will automatically be suspended until such time as there is sufficient income.

12. What about paternity pay?

Statutory Paternity Pay (SPP) is payable to employees who meet the criteria as set out in the paternity leave section of the employee handbook, the rate of which is the lower of £138.18 (2014/15) or 90% of average weekly earnings.

Company Paternity Pay, which includes SPP will be based on your notional basic pay and included in PSS.

13. What about statutory adoption pay?

Statutory Adoption Pay (SAP) is payable to employees who meet the criteria as set out in the adoption leave policy, the rate of which is the lower of £138.18 (2014/15) or 90% of average weekly earnings.

Company Adoption Pay, which includes SAP will be based on your notional basic pay and included in PSS.

14. What impact is there on the National Minimum Wage (NMW)?

You may not sacrifice your pay below the NMW (currently £6.31 for workers aged 21 plus).

15. How will PSS affect my State Second Pension (S2P) entitlement?

As the Jaguar Land Rover Defined Contribution Fund is 'contracted-in' to S2P, there may be a reduction to your S2P entitlement. S2P is calculated by the Department for Work and Pensions based on earnings between the Primary Threshold and Upper Accruals Point (earnings between £5,772 and £40,040 for the 2014/15 tax year) in each tax year you are contracted-out of S2P. The rate at which S2P accrues each year will depend on factors such as earnings and age. PSS may reduce your ultimate S2P benefit because it could reduce your earnings taken into account for S2P. However, for many, the reduction in S2P is negligible when compared to the savings under PSS, however, if you are concerned about the impact of PSS on S2P we recommend that you contact your financial advisor.

16. I am above the Upper Earnings Limit (UEL) for NI, will I still receive a cash advantage by being in PSS?

Yes, you will still receive a cash advantage. If you earn over the monthly/weekly UEL (£3,489/£805 for 2014/2015) currently, the savings will be 2% of your current pension contribution (i.e. your salary sacrifice) above this amount. Therefore, your net pay will still increase.

17. What about death in service benefit?

Death in service benefits provided to members of the Jaguar Land Rover Defined Contribution Fund will not be affected by PSS as they will continue to be calculated by reference to your 'notional pensionable pay'.

18. Can I include Additional Voluntary Contributions (AVC's) in PSS?

Employees can include their AVC's (contributions in excess of 4%) within PSS.

19. Will my reduced basic pay affect mortgage applications etc?

The Company will respond to salary confirmation requests quoting notional basic salary.

20. Do I need to seek independent financial advice?

You may wish to seek independent financial advice on how changes impact on your personal position.

If you require independent financial advice you should visit www.unbiased.co.uk or www.thepfs.org or www.ukifadirectory.co.uk You will be able to get contact details for Independent Financial Advisors based in your area.

21. If my circumstances change after I join, can I leave PSS?

If you want to opt out of PSS, you are free to at any point in time.

Please note that your actual pay will revert back to your notional basic pay and you will no longer participate in PSS.

If you decide at some point in the future that you wish to rejoin PSS, you are free to at any point in time.

22. What is a ‘Lifestyle Event’?

A Lifestyle Event is an exceptional event, for example, bankruptcy, marriage, divorce, repatriation to the UK etc that has a major effect on your lifestyle.

Events that will result in a statutory payment that will be adversely affected by participation in PSS will be considered as lifestyle events. Please be aware that it will be possible for you to opt out prior to reaching 23 weeks before expected date of confinement in the case of maternity to minimise the impact on SMP.

If you believe a Lifestyle Event has occurred that affects your participation in PSS you should talk to HR Customer Operations (see Q27). You will need to provide full details of the Lifestyle Event you feel affects your situation, and we will then advise you whether or not HMRC believes this event constitutes an event that affects your participation in PSS. In situations where you are considering opting out of the Jaguar Land Rover Defined Contribution Fund and/or PSS we recommend that you seek Independent Financial advice.

23. Can I opt out of PSS?

PSS will increase your net pay with no detriment to your pension provision. If you choose to opt out then you will have a lower net pay than colleagues carrying out the same job with the same notional pay.

You may opt out of PSS at any point in time. It is not possible to join the Jaguar Land Rover Defined Contribution Fund without initially participating in PSS unless your earnings are insufficient (see Q14).

If you opt out of PSS then contributions would be deducted net of basic rate tax and would then be grossed up by the Provider (please see Fund booklet for further details).

24. What if PSS ceases?

The Company is committed to PSS as long as HMRC permits such a plan to operate. However, if (for any reason) the Company can no longer operate PSS, your contractual base pay will revert to the level of notional basic pay. The Company is under no obligation and does not accept any liability to provide any form of compensation for any cash advantage lost from ceasing to operate PSS.

25. How do I apply to join?

You will automatically be entered in to the PSS arrangement on joining the Jaguar Land Rover Defined Contribution Fund.

26. Have other employers introduced similar arrangements?

Yes. Many employers, including household names such as Nationwide Building Society, Sainsbury's, Vision Express and KPMG have introduced similar arrangements.

27. What if I have any further queries about PSS that have not been answered here?

You should contact HR Customer Operations on 0121 347 5951 (external) 8733 5951 (internal) if you have any queries.

Remember, Jaguar Land Rover cannot provide any advice regarding Pensions. If you do need any advice regarding your pension options, you should contact an Independent Financial Advisor.

28. What if I am assigned to International Service (ISE)?

If you are assigned to international service you may have to leave PSS. If this is the case, your pension contribution will be deducted directly from salary. You will be advised accordingly if this applies to you.