A guide to your SAP pension scheme

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It is often said that money cannot buy happiness. This may be true, but no one wants to struggle financially in retirement. This is more important now than ever before. On average, a 65-year-old man retiring today in England can look forward to over 20 years in retirement, with a 1 in 4 chance of reaching 93. For women, the statistics are even more impressive: a woman retiring now at 65 can expect to spend nearly 23 years in retirement, with a 1 in 4 chance of reaching 95.[1] These days, retirement can be a fulfilling and productive period, doing things you always wanted to do (but never quite found the time when you were working). However, it is important to start planning early.

One of the most effective methods of saving for retirement is through a pension plan provided by your Company. There are two main reasons for this: firstly, the Company will pay money into the plan for you. That means you will not just benefit from your own contributions; you will also receive the benefit of SAP's contribution as well. Secondly, you will enjoy tax relief on your contributions.

Please take the time to read this guide. It can be difficult to commit to saving money today that you may not be able to access for years but putting something away as soon as you can is one of the most important steps you can take to help provide for your retirement.

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[1] https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/articles/lifeexpectancycalculator/2019-06-07

2. How do I join the plan?

A In line with Government legislation, SAP must automatically enrol you into the workplace pension if you meet the following conditions:

- You ordinarily work in the UK
- You are aged over 22 but below State Pension Age, and
- You have monthly earnings above £833 / weekly earnings above £192 before tax and NI (based on 2020/21 benefit year)

You will be sent a Notice from the Company within 6 weeks of commencement of employment, confirming that you will be automatically enrolled into the SAP (UK) Pension Scheme (the Plan), if on that date you meet the above conditions.

If you do not meet the above conditions, you are still entitled to join the Plan if you wish. Also, you will be automatically enrolled should you meet the conditions in the future. If so, you will be notified by the Company at that time.

If you are not automatically enrolled because you do not meet the conditions, or wish to be included in the Plan before the set date on which automatic enrolment takes place, you can opt into the Plan via the SAP benefits site on the pension tile and you will be included in the Plan in the following month. There is single sign on in place for all SAP employees.

Q What if I do not want to be a member of the Plan?

A If you are automatically enrolled into the plan you have the opportunity to opt out. You will be notified of this as soon as you have been automatically enrolled.

If you opt out within the opt-out period*, contributions will be refunded. The employer contribution will be refunded back to SAP. Any employee contributions will also be refunded and are subject to income tax and National Insurance in the normal way. You can still opt out of the Plan after the opt-out period, but in this case, anything paid into the Plan will continue to be invested until you take benefits or until you transfer it to a different plan.

*The opt-out period is one month from either, the date Scottish Widows provides you with information regarding the Plan or, the date SAP provides you with information on the Plan; whichever is later.

If you opt out of the Plan, you may be re-enrolled into the Plan within three years if at that time you meet the conditions. A notice will be sent to you if and when this takes place. You will of course have the option to opt out again.

It is important to note that if you opt out, you will no longer be saving for your future through our Pension (a Group Personal Pension Plan), and SAP

will not contribute to an alternative pension arrangement. You will therefore not receive the benefit of SAP's pension contributions.

Q **Will my membership of the Plan be confirmed?**

A You will be notified as soon as you have been enrolled into the Plan.

You will also receive a policy document from Scottish Widows confirming your membership of the Plan. Please keep this in a safe place. You will continue to receive an annual paper statement from Scottish Widows, sent to your home address.

It is therefore important that you keep SAP updated with any changes to your address or other personal details.

Q **Why did you choose Scottish Widows to provide the benefits?**

A On behalf of SAP, Capita reviewed all of the GPPP providers in the market and prepared a shortlist of the companies that we felt best suited the needs of SAP's employees. After considering each company, SAP chose Scottish Widows. Scottish Widows is a major provider of pensions and has a good reputation in this market. Take a look at some of the information about Scottish Widows:

- https://www.scottishwidows.co.uk/about_us/

3. Paying contributions

Q How are contributions calculated?

A Contributions are paid monthly and are calculated as a proportion of your earnings. For the purposes of calculating your pension contributions, earnings are defined as Basic Salary.

You will automatically exchange part of your salary to the Plan in the form of a monthly contribution (known as salary sacrifice), or alternatively you can choose to contribute via the net payment method after the deduction of tax.

Permanent employees may opt into the pension scheme from the commencement of their employment and opt up to the standard SAP rate and contribute 5% or more of your annual basic salary to receive a contribution from SAP of 9% of your basic salary. Alternatively, you can take advantage of our SAP's Savings Choices and still benefit from a Company contribution to the pension from SAP of 9%.

If however, as a new employee you decide not to opt into the SAP pension scheme within the first month of your employment and you meet certain criteria you will subsequently be automatically enrolled to the Scheme with a 3% employee and 6% employer contribution - we call this "Pension Lite". You can still opt out and get a refund via payroll if you would like to, providing you opt out within a calendar month of receiving your automatic enrolment notification.

You have the ability to change your employee pension contribution in any month via https://www.sapemployeebenefits.co.uk/

The amounts you and SAP can pay into the Plan each year are shown in the table below:

Your selected contribution	**SAP contribution**	**Total contribution** (all classed as employer contributions)
3% *	6%	9% ("Pension Lite")
4% *	6%	10% ("Pension Lite")
5% * +	9%	14% + ("Pension")

*plus NI Passback (see below)

Note that the contribution paid by you and on your behalf to all UK regulated pension plans should generally not exceed £40,000 per annum. A reduced Annual

Allowance of £4,000 applies if you are already taking benefits on a flexible basis (also known as the Money Purchase Annual Allowance). Contributions in excess of this amount may not be tax efficient. Please refer to the ‘How much can I pay into the Plan’ and ‘What does the Plan provide’ sections below for further details).

There are three different Annual Allowances (AA).

1) The standard AA is £40,000 per annum, a

2) The Money Purchase Annual Allowance (MPAA) of £4,000 which applies if you are already taking pension benefits on a flexible basis, and

3) The Tapered Annual Allowance (TAA) which applies for those on a high income (total earnings over £240,000) and is between £40,000 and £4,000. Please refer to the ‘What does the plan provide’ section for more details on all three.

Contributions in excess of these amounts may not be tax efficient.

Q How are my contributions taken?

A SAP’s ‘Savings Choices’ allow you to decide how, and when, you want to save. If you commit to pay a set amount into a Corporate ISA, repay more of your student loan (on top of your regular compulsory repayments) or, save for your retirement then SAP will pay a contribution into your pension on your behalf.

You will still receive the 9% pension contribution from SAP to take care of your long-term savings needs.

The options available are:

- Standard Pension – You can elect to pay a minimum of 5% of your basic salary to your pension, SAP will top this up with a 9% employer contribution. An additional employer contribution of 7% of your personal contribution will be paid on a monthly basis to your plan in respect of the National Insurance savings SAP makes – at SAP this is called ‘NI passback’.

- Pension Lite – If you are unable to commit to making a 5% employee contribution, you can opt to pay either 3% or 4% of your basic salary. SAP will top this up with a 6% employer contribution. An additional employer contribution of 7% of your personal contribution will be paid on a monthly basis to your plan in respect of the National Insurance savings SAP makes.

- SAP Corporate ISA –You have the option to pay between 3% and 20% of your gross basic salary to a Cash, and/or Stocks and Shares ISA, this will be taken from net pay. SAP will continue to pay 9% of your basic salary to your pension scheme.

- Student Loan - You have the option to pay between 3% and 20% of your gross basic salary towards making an additional payment to the Student Loan Company (SLC). SAP will pay a lump sum as a percentage of your gross basic salary to the SLC, which will be recovered from your net pay over 12 months. SAP will continue to pay 9% of your basic salary to your pension scheme.

You have the flexibility to increase your ISA contributions throughout the year and opt in or out of the above choices. Please note however that the Student Loan repayments continue for a twelve month period.

Full details of the Savings Choices are available on the SAP benefits site - https://www.sapemployeebenefits.co.uk/

Your contributions will be taken via salary exchange (also referred sometimes as salary sacrifice). This means your gross (pre-tax) salary is reduced by the amount of your pension contribution, which is then be paid into the Plan by the Company along with the Company's contribution.

You have the opportunity to opt out of the salary exchange arrangement, in which case your pension contributions will be deducted from your net salary (i.e. your salary once both tax and National Insurance have been deducted). Basic rate tax relief is then added by the pension provider, and higher rate tax relief has to be requested from HMRC via self-assessment.

If you wish to opt out of the salary exchange arrangement, please contact the SAP helpdesk. If you do not contact them, the contribution will be automatically taken via salary exchange.

Q What tax relief will I receive on my contributions?

A In short, most people will receive tax relief at the highest rate of tax that they pay.

So, if you pay tax at the basic rate of 20%, you will receive tax relief at this rate. That means every £10 invested actually costs just £8.

The savings are even greater if you are a 40% or 45% taxpayer. Every £10 invested costs just £6 for a 40% taxpayer or £5.50 for a 45% taxpayer. Note, however, that the Annual Allowance and Tapered Annual Allowance can impact the tax efficiency of making pension savings (this is further explained below). If you think you may be affected by this, you should consider consulting a professional financial adviser.

What is more, unless you choose to opt out, your contributions are taken from your salary before payment of tax. This means you will receive the full benefit of the tax relief immediately (whatever your tax rate) and also save money because your National Insurance (NI) contributions are lower. This is because the Company operates a 'salary exchange' pension plan. This is explained in more detail in the next section. Please be aware though that if you are a non-taxpayer (since your earnings are below £12,500 in the 2020/21 tax year) then it would not be appropriate to do salary exchange.

If you opt out of the salary exchange arrangement your contributions will be taken from your net salary, as explained above. If you are a basic rate taxpayer, the pension provider claims the tax relief on your behalf directly from the tax authorities and invests it directly into your fund. This is beneficial for non-taxpayers (where their earnings are below £12,500 in the 2020/21 tax year) who gain the basic rate relief on their pension contribution at 20%, even though they do not pay tax.

However, if a non-taxpayer switches to salary exchange then they will lose that 20% tax relief (although gaining a 12% NI saving).

If you are a Scottish rate taxpayer at the starter rate of 19% then our understanding is that you will continue to benefit from 20% tax relief, as HMRC will not recover the difference between the Scottish starter and basic rates.

If you are a Scottish taxpayer liable to income tax at the 21% intermediate rate, then you will only receive 20% tax relief directly and will need to claim the additional 1% relief due to you by contacting HMRC (as explained above).

As well as the tax relief on your contributions to the Plan, there are other tax benefits too. Your fund will not be charged to income tax or capital gains tax, and when you come to draw it at retirement up to a quarter may be taken as a tax-free lump sum under current tax rules.

In addition, if you were to die before receiving your benefits, the money paid to your dependants will normally be paid tax free. The amount will depend on the returns on your money invested.

For these reasons, investing in a pension plan may be a good way to provide for a comfortable retirement.

Q How do I make payments to the plan via salary exchange?

A Firstly, it will be helpful to explain how 'salary exchange' works. Pension contributions paid by SAP are exempt from National Insurance. If you agree to a reduction in your salary equal to your own pension contributions, SAP in return will agree to pay additional pension contributions of an amount equal to the reduction. This means that you save the National Insurance you would otherwise have had to pay.

In other words, it means that the payments you agree to make to the Plan reduced your salary each month, all before tax or National Insurance contributions are deducted.

Not paying National Insurance contributions will save you a further 12% on your contribution if you earn between £9,500 and £50,000 (2020/21) and 2% on earnings above £50,000.

Example- Basic Taxpayer

Suppose you choose to pay £100 per month to the Plan. What would happen if you decided to stop paying this amount and to take it as salary instead? Firstly, you would pay £20 in tax at the basic rate (more if you are a higher rate taxpayer). In addition, you are likely to pay National Insurance contributions at 12% (as if you are a basic rate taxpayer). That is another £12.

So, you would end up with just £68 after tax and National Insurance contributions.

If you are a 40% or 45% taxpayer, you would receive even less than this after your tax rate is deducted (though you may not pay as much in National Insurance contributions).

Salary exchange means the full £100 is paid into the Plan.

* What is more, SAP also pays less in National Insurance contributions under this method and has agreed to contribute 7% of the employer savings in National Insurance contributions of 13.8% towards your pension plan. At SAP this is called NI passback.

Q **Can I pay some or my entire bonus into the pension too?**

A Yes, you can. SAP offer two opportunities to pay some or your entire bonus into the pension via salary exchange and benefit from the company's 7% National Insurance saving which is passed back as an additional Company contribution. Details on how to do this will be available on SAP benefits site in February and July each year.

Q **Can I stop or change my contributions at any time?**

A Yes, you can. You can increase, reduce or even stop your contributions at any time (as long as you give us one month's notice). You should try and set your contributions at a rate you can afford to maintain, but we realise that sometimes certain circumstances may require you to review your contribution level. You will not be able to reduce your contributions below the minimum required by law. If you opt-out, you may only be able to opt back into the Plan again once in every 12-month period. Please refer to the SAP helpdesk for clarification.

One point to bear in mind: if you change the amount you pay into the Plan, the amount paid by the Company may also change.

Q **How much can I pay into the Plan?**

A Tax relief may be payable on personal contributions of up to 100% of your earnings (or £3,600 if greater) and you can also make one-off payments into your pension subject to this overall limit. Please note that you cannot reduce your income by salary exchange to the level that it would be below the National Minimum Wage or, as applicable, the National Living Wage.

Also be aware that the Annual Allowance, explained below, may limit the benefit of higher contributions.

4. Annual Allowance

There is a limit on the amount of total contributions (including employer contributions) to a pension that will qualify for tax relief without triggering an excess tax charge, but very few people have contributions anywhere near this limit.

The limit is called the 'Annual Allowance'. The Annual Allowance is a test against the total contributions (or pension inputs) with any excess contributions (or pension inputs) taxed.

The test covers all the pension arrangements that you are a member of, during each plan's 'Pension Input Period' (PIP) that ends in the relevant tax year. The total contribution for each money purchase pension arrangement will be the combined total of both your own and your employer's contributions. Note that since 6 April 2016 all PIPs are the same as the tax year. Prior to that a PIP could start and finish at any date.

If you have several pension arrangements to which you or your employer are either contributing, or for which you are accruing new benefits, then each amount for each arrangement must be added together for the Annual Allowance test.

If the total amount paid by you and SAP exceeds the Annual Allowance, you may have to pay income tax on the amount above the allowance.

The Annual Allowance is reviewed periodically. It is currently set at £40,000 (2020/21). However, this is reduced to £4,000 if you access your benefits on a flexible basis – please refer to the 'What does the Plan provide' section for further details.

What happens if I exceed the Annual Allowance?

Even if your total pension savings over the year are more than the Annual Allowance, you may still not have to pay a tax charge. You can carry forward any Annual Allowance that you have not used from the previous three tax years. If your unused allowance is more than the amount by which you have exceeded the Annual Allowance in the current tax year, then you will not be liable for a tax charge and you will not be required to report anything to HMRC.

If you have exceeded the Annual Allowance, then your pension scheme will provide you with details of the Annual Allowance used up in the last three years within that scheme on your Pension Savings Statement.

If you have also exceeded the Annual Allowance in any previous tax years, then you may also require information on your pension savings made in earlier tax years than the three previous ones that are already displayed within this Pension Savings Statement. This will enable you to accurately calculate your total available carry forward. This information should be available on any previous Pension Savings Statements that you have received.

Please note that carry forward is only available for members who are subject to the standard Annual Allowance or Tapered Annual Allowance. Carry forward is not available in respect of money purchase contributions where the Money Purchase Annual Allowance of £4,000 applies because benefits have been accessed flexibly.

Here is an example based on the standard Annual Allowance:

	2017/18	2018/19	2019/20	2020/21
Annual Allowance	£40,000	£40,000	£40,000	£40,000
Contributions	£22,000	£34,000	£37,000	£62,000
Unused allowance	£18,000	£6,000	£3,000	- £22,000
Cumulative for use in the following tax year	£18,000	£24,000	£27,000	£5,000

In the table example above:

- In the three tax years 2017/18, 2018/19 and 2019/20, unused Annual Allowance in each year is carried forward resulting in a total cumulative carry forward of £27,000 at the end of 2019/20 which can be carried forward to 2020/21. Note the £18,000 carried forward from 2017/18 will be lost after 2020/21 unless used in that tax year.
- In 2020/21, deliberately large contributions totalling £62,000 are made as it is not possible to carry forward further than the last three years' worth of unused allowance. All of the £40,000 Annual Allowance in that year is used first. After that £18,000 unused Annual Allowance from the oldest tax year, i.e. 2017/18 is used up first. Finally, £4,000 of the £6,000 from 2018/19 is used up.
- This carry forward facility means that no Annual Allowance charge is payable for the 2019/20 tax year, even though the Annual Allowance was exceeded by £22,000.
- For the next tax year in 2021/22, £5,000 will be carried forward. This is made up of £2,000 from the 2018/19 tax year and £3,000 from the 2019/20 tax year. There is no carry forward from the 2020/21 tax year as all the available allowance was used up.   The remaining £2,000 carried forward from 2018/19 will be lost if not used in 2021/22.

5. Tapered Annual Allowance

If your income (including earnings and all other sources of income) may possibly exceed £200,000 in a tax year then you need to be aware of the Tapered Annual Allowance. In that case please read the text in the box below. If you know that this will not happen then feel free to skip reading the boxed section.

The Tapered Annual Allowance was introduced for 2016/17 onwards and only applies to individuals who HMRC regards as being 'high-income individual'. From the 2020/21 tax year, a high-income individual is someone with BOTH:

- a 'threshold income' of over £200,000 in a tax year (broadly this is all your income from all sources plus any salary sacrifice for pensions added back in as well); and
- an 'adjusted income' of over £240,000 in a tax year (broadly this is all your income from all sources plus all pension contributions, including employer pension contributions, added on top).

More detail on threshold income and adjusted income (including past lower thresholds of £110,000 and £150,000 for tax years before 2020/21) can be found in HMRC's guidance at: https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100

If your threshold income is less than £200,000 then your Annual Allowance will not be reduced even if your adjusted income is over £240,000. This means that for the vast majority the tapered annual allowance is not an issue.

Q What are the things to beware of?

A It is important to note that although the definitions include your earnings with your current employer there are also other elements of taxable income that you may receive outside of your employment which need to be considered. Therefore, it is your responsibility to determine the exact amount of each type of income where required. This is likely to only be possible following the end of the tax year and after completion of your Self-Assessment tax return. In determining your adjusted income, you will need to request a Pensions Savings Statement from your scheme administrator.

Q How does the Tapered Annual Allowance work?

A The Tapered Annual Allowance acts to reduce an individual's standard Annual Allowance by £1 for every £2 of 'adjusted income' that you earn over £240,000 in a tax year. The maximum possible reduction would be £36,000, which would leave an Annual Allowance of £4,000 for that tax year.

Therefore, earners with an 'adjusted income' of between £240,000 and £312,000 are affected by the taper. Those with an adjusted income of over £312,000 know that their Annual Allowance is only £4,000 for the relevant tax year.

It is worth noting that the taper is assessed over each tax year and therefore whilst the taper may apply in one year, it won't automatically apply to the next.

Q Will I be sent a statement if my pension savings exceed the Tapered Annual Allowance?

A Scheme administrators will not know if the Tapered Annual Allowance applies to you and, if it does apply, the amount of the Annual Allowance reduction. Therefore, any statement will only be sent out to you automatically if your pension savings under a particular scheme exceeds the standard Annual Allowance in the tax year. If you are unsure it is your responsibility to request a statement directly from each scheme administrator/pension provider.

6. Lifetime Allowance

As well as the Annual Allowance on contributions, there is also a 'Lifetime Allowance'. This is a limit on the overall value of your pension savings. That means it is not just the total contributions paid into the Plan, but also the growth on your money. The Lifetime Allowance includes any pension savings you may have elsewhere with other companies (or in private pension plans). In short, it is the total value of all your pension savings over your lifetime.

The Lifetime Allowance is currently £1,073,100 (2020/21). If the value of your pension savings exceeds the Lifetime Allowance this could result in a tax charge of 55% on the excess (or 25% if you take the excess as taxed income).

Not many people are likely to be affected by this, but if you think you are, you can find out more at the HM Revenue & Customs website https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance. Alternatively, you may wish to consider taking professional financial advice.

Q Are there any disadvantages to paying by 'salary exchange'?

A Salary exchange is a very effective way of paying contributions into a pension plan, but there are some potential disadvantages. Most people will not be affected, but you should be aware of the drawbacks in case they affect you:

- Non-taxpayers (where their earnings are below £12,500 in the 2020/21 tax year) will lose 20% tax relief at source that applies if the contributions are deducted from net pay. For example, if a non-taxpayer is due to pay £10 member contribution then normally only £8 would be deducted from their net pay with the insurance company claiming the other £2 direct from HMRC. If that person switches to salary exchange then their salary will be reduced by the full £10 but they will only save £1.20 on NI contributions (if they earn at least £9,500 a year). This means, they would be 80p worse off.

- Salary exchange means taking a reduction in salary, so you pay less in National Insurance contributions (your pension contribution is deducted before tax and National Insurance is applied). Some State benefits, Jobseeker's Allowance and the single-tier State pension for example, are based on how much you have paid in National Insurance contributions.

However, as long as your salary is at least £120 a week, £520 a month, £6,240 p.a. (2020/21), there should be no impact.

- Statutory Maternity Pay (SMP), Statutory Paternity and Adoption pay can be affected as well, but you can avoid any impact by changing the contribution you are paying*. Please contact your HR Department for more information.

- It is also important to consider that borrowing levels, such as mortgage, personal loans, etc. that are set in accordance with salary and bonus maybe affected by the salary exchange. Generally, salary exchange is widely accepted as a method of paying pension contributions (together with other eligible benefits) and most financial institutions will accept a reference salary (equal to the level of salary that would have applied if it had not been reduced) and use this in any calculations. However, this may not always be the case so you should check this prior to taking any action.

* The benefit is calculated by reference to your average earnings over a specific period, usually a period of 8 weeks up to and including the 15th week before the week your baby is due. By changing your contributions to net pay before this period you can avoid any impact. You need to ensure you are aware how changing your employee level of contributions may impact the amount SAP will contribute. Further guidance on statutory maternity pay can be found on the government website at https://www.gov.uk/maternity-pay-leave/pay

7. Investing your money

Q Where are my contributions invested?

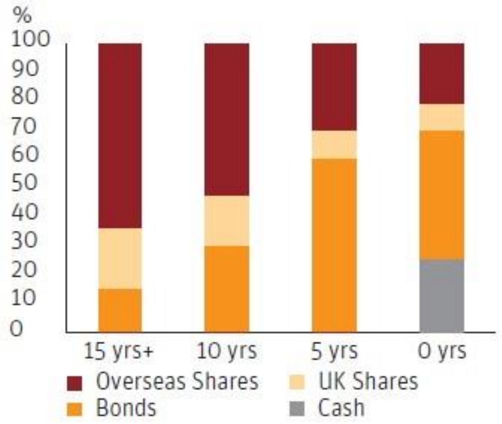
A You will be automatically placed in a ‘default’ option that has been chosen by SAP, after having taken guidance from Capita. This is the “Balanced PIA” Fund which targets flexible access at retirement. A description of how the default fund is invested is available in the Scottish Widows literature. Additional information regarding this fund can be found in the fund guide.

The Scottish Widows Balanced PIA fund invests in a number of underlying fund options depending on the length of your term to the selected retirement date. Details of these funds are as follows:

Balanced (Targeting Flexible Access retirement outcome)

Highest risk ←→ Lowest risk

Target Split of Investments Used				
Years to Retirement	Overseas Shares	UK Shares	Bonds	Cash*
15 yrs+	63.8%	21.2%	15%	
10 yrs	52.5%	17.5%	30%	
5 yrs	30%	10%	60%	
0 yrs	22.5%	7.5%	45%	25%



Up to 15 years from your selected retirement date the Balanced PIA invests predominantly in UK and overseas equities. It also has some exposure to bonds. Investment is made on an index tracking basis.

From 15 years through to retirement Scottish Widows will gradually adjust and move your plan into lower risk investments. Although this reduces the growth potential of your plan, it also aims to help protect its value as you near your selected retirement date. This is a type of lifestyle switching and is outlined in the diagram above.

Five years from your selected retirement date, Scottish Widows will start to automatically adjust your plan so that it will be invested on the assumption you aim to take the maximum Pension Commencement Lump Sum of 25% of the fund value and start taking withdrawals as income. There are alternative lifestyle strategies available should you wish to target alternative outcomes such as, keeping your pension money invested, purchase a lifetime annuity, or take the whole funds as a cash lump sum.

The asset mix of the PIA strategies will be reviewed periodically by Scottish Widows and may be amended if a review indicates that it would be in the investors’ best interests to do so.

Additional information regarding the funds that make up the Default Fund Investment Strategy can be found through your SAP benefits site account or online, just follow this link:

https://adviser.scottishwidows.co.uk/assets/literature/docs/45770IG.pdf

If you feel the “Balanced PIA” does not suit your individual circumstances, please choose a different fund (or funds) from the literature provided and amend your investment choice once your policy has been established.

You can choose to invest all your contributions in one fund, or you can choose to spread your money across a range of funds. Full details can be found on SAP benefits site in the pension tile under the “Fund Centre”.

The funds are all risk rated. Low risk funds are likely to take few risks. Investing in low risk funds generally means that your money is unlikely to fall in value significantly.

That’s because very little of your money will be invested in riskier assets, like equities. Mostly, your contributions will be primarily invested in assets that don’t tend to rise and fall dramatically. If you like the sound of that, these funds may be for you. But bear in mind your money is likely to grow more slowly when compared with funds that hold a higher proportion of your money in riskier assets.

At the other end of the scale, higher risk funds are often called ‘adventurous or ‘very adventurous’. Over the long term, historically, these funds have tended to produce higher returns, but along the way the value of the fund could rise and fall dramatically.

Whichever funds you choose, it is important to remember that the past performance of any fund or investment is not necessarily a guide to how that fund or investment may perform in the future and that the value of your investments can fall as well as rise. A pension fund is intended to be a long-term investment, and there can be no guarantees regarding the level of retirement benefits the plan will provide. If you are unsure as to the suitability of a particular fund you should seek professional financial advice.

Q Can I check how my funds are doing?

A Yes, you can. In fact, we would encourage you to regularly review your investments and make changes when you need to. For example, as you move nearer to retirement it is usually a good idea to move your money into safer, lower risk funds. This is because if markets fall significantly at this point, your funds may not have time to recover before you retire.

To check on your funds, you can access the SAP benefits site and pension tile at any time. In addition, you will be issued with a regular statement by Scottish

Widows, sent directly to your home address. You can also apply for online access with Scottish Widows. This allows you to follow your investments more frequently and make changes online. To register for this service, just follow this link:

https://www.scottishwidows.co.uk/register/

8. The benefits you will receive

Q **When can I take my benefits?**

A We currently use a default retirement age of 65 years; however, you can currently take all or part of your benefits from age 55*, regardless of your Normal Pension Age or whether you are still in employment.

If you feel the default retirement age does not suit your individual circumstances, please choose an alternative age and amend your retirement date once the Plan has been established. Please however note that if you are investing in SAP's default option it may be the case that the funds it invests in are linked to the default retirement age as mentioned above. If you are in very poor health, it may be possible to take your benefits even earlier than age 55.

*The minimum retirement age of 55 may increase as the State pension age increases, but legislation has not yet been agreed.

Q **What does the Plan provide?**

A The amount you have built up in your fund is determined by how much you have paid into the fund and for how long, together with any investment growth on your money (minus charges for the administration and investment of your money).

Currently, the following options are available from age 55, but subject to Scottish Widows terms*:

A. Take your entire fund as a cash lump sum of which up to 25% of the amount will be tax-free and the remainder will be taxed at your marginal rate. You can use this cash in any way you want: you may choose to invest it to boost your income in retirement or set it aside for a rainy day. Whatever your plans, it is entirely up to you to decide how to use the cash. Note that it will not necessarily then be in the tax-exempt environment if retained for a rainy day so growth can be taxed.

B. Take a series of cash lump sums of which up to 25% is received tax-free with the remainder taxed at your marginal rate. As before, you can use the cash as you want but it will be outside a tax-exempt environment.

C. Take your fund flexibly by withdrawing up to 25% of your fund as tax-free cash and investing the remainder in a 'drawdown' product, which allows you to keep your money invested in a tax-exempt environment (so that growth is largely untaxed) and draw an income periodically by cashing in part of your fund. Flexible annuities could be an option you can explore. Please be aware that drawdown products are complex, and you should seek professional financial advice to decide whether these are suitable for your individual circumstances.

D. Take up to 25% of your fund as tax-free cash and then use the remainder to purchase a guaranteed retirement income, known formally as an annuity. Further information about annuities is below.

E. Alternatively, if your total funds within the Plan are valued at less than £10,000 and you are aged 55, or above, you may be able to draw your entire fund as cash. This can apply to up to three separate personal pension plans and 25% of the payment would normally be tax-free.

* You should be aware that not all providers will offer all the options detailed above. Please refer to Scottish Widows to ensure you are aware of the options available to you.

Q What issues should I pay special attention to in choosing what benefits to take?

A The different options have different features, different rates of payment and different charges. It is important that you understand these and that you consider that there may be different tax implications associated with accessing benefits. We explain where you can get assistance on this later.

Income from a pension is always taxable but the rate at which it is taxed depends on the amount of income that you receive in that tax year from your pension pot and from other sources, such as employment income if you carry on working. Taking taxable lump sums at the same time as receiving other income could mean that you lose a higher proportion of the lump sum in tax.

If you plan to take pension benefits before you finally retire from work and then plan to carry on saving afterwards then it is important to be aware of the 'Money Purchase Annual Allowance'. Your ability to make further savings into a pension and secure a good retirement income when you do finally retire can be seriously affected if you trigger this lower Allowance. This is explained in the box below. If this is not going to be relevant to you anytime soon then please skip the boxed section below.

Money Purchase Annual Allowance

If you take any benefits as 'flexible income' at retirement, then your ability to continue to make future pension contributions will be significantly and permanently reduced as you will have triggered the 'Money Purchase Annual Allowance'. Flexible income includes options such as taking drawdown, cash lump sums (which are at least taxed in part) or flexible annuities. In other words, if you take options A, B and C above, but still plan to save in a pension afterwards.

The Money Purchase Annual Allowance is a special limit on future pension saving and in 2020/21 it is set at £4,000.

You may of course choose to use the whole of your fund to purchase a guaranteed income known as an annuity at retirement (option D above). In that case you will not need to worry about the Money Purchase Annual Allowance. Further information on the annuity option is given later this guide.

Once the Money Purchase Annual Allowance has been triggered and applies then you and your employer would only be able to contribute up to a combined maximum of £4,000 per annum. If contributions go above this amount, then you will suffer an annual allowance tax charge. Importantly this restriction will apply to all your future pension saving in any scheme (other than into a defined benefit scheme) once income has first been flexibly accessed. This may have a significant impact for you if your retirement saving has been limited in the past.

Please note that under option C above you would be able to take the 25% tax-free lump sum without triggering this restriction but that once you start to draw income from your drawdown fund then the Money Purchase Annual Allowance restriction comes into full effect.

Q What are my options with getting help with these choices?

A To assist members approaching retirement, '**Pension Wise**' is a free and impartial service available to help you understand what your choices are and how they work. Currently, those aged 50 or over with money purchase pension savings may use this service. Whilst you will not be provided with advice, you will receive information tailored to your specific situation. The service also covers other financial matters like debts, savings and State benefits. Information is available from the "Pension Wise" website. To discuss your options at that time call 'Pensions Wise' on 0800 138 3944.

Pension Wise and The Pensions Advisory Service both form part of the Money and Pensions Service. The **Money and Pensions Service** website provides free and impartial information on choosing a financial adviser and links to details of financial advisers in your area. The website can be accessed at: www.moneyandpensionsservice.org.uk

Accessing your funds at retirement is an important financial decision and we would encourage you to seek Professional Financial Advice in addition to obtaining guidance from Pension Wise. Check the Financial Conduct Authority's (FCA) **Financial Services Register** to make sure the firm you are using is authorised and how to check the credentials of financial advisers who work for it. Further guidance and details of how to do this are given by the FCA on the Financial Services Register homepage – Finance Conduct Authority

Q **If I take cash, how do I convert the remainder of my fund into an income for life?**

A The traditional method of converting the rest of your fund into an income for life is to buy an annuity. An annuity will provide you with a guaranteed income for the rest of your life. It works like this:

- The remainder of your fund (after you have taken any tax-free cash sum) is paid to an annuity provider who will promise to pay you an income for life, however long you live.
- You are entitled to shop around for the best deal, and rates do vary between companies, so it is worthwhile comparing annuity providers. This is often referred to as an Open Market Option, or OMO.
- Capita has partnered with an annuity broking service, a specialist team that can assist you through this process. Should you wish to take advantage of this, please contact the SAP helpdesk for further information.

The Money Advice Service maintains a list of many of the rates on offer. To find out more go to; https://www.moneyadviceservice.org.uk/en/tools/annuities

Please be aware that the 'Freedom and Choice' reforms since April 2015 have allowed innovation in the annuities market – annuities are able to go down as well as up and taxable lump sums could be payable depending on the product purchased (this could be used to fund social care in retirement, for instance). Be aware that flexible annuities and such lump sums will trigger the Money Purchase Annual Allowance restriction mentioned above. You should consider taking financial advice if you are looking at such options.

Q **What happens if I die after buying an annuity?**

A When you buy an annuity, you can protect your dependants by selecting one of the following options:

- Part or all of your annuity payments can continue to be paid after your death to your spouse or partner. This is called a 'joint life' option. Often the income paid is reduced to half or two thirds of the original amount on the basis that one person does not need so much money.
- You can opt for your income to continue to be paid for a fixed number of years after your death. Commonly, people choose either 5 or 10 years. For instance, if you choose a 10-year guaranteed period and die 3 years after buying the annuity, the remaining 7 years' payments would continue to be made.
- It is possible to arrange your annuity so that on your death a lump sum is payable equal to the amount you originally paid for the annuity less the payments made to the date of your death.

9. State pension benefits

Q If I join the plan does it affect my State pension benefits?

A Your State benefits may be affected by your membership of the Plan if you elect to contribute via salary exchange. If your post sacrifice salary falls below the Lower Earnings Limit (£6,240 in 2020/21) you would not accrue any single-tier state pension in that year or years. This will not affect you if you have already reached State pension age.

For this reason, low earners and anyone whose taxable income will be below £12,500 will benefit from opting to switch away from salary sacrifice and towards making pension contributions benefiting from relief at source. Please refer to you HR Department for further information.

People on very low incomes are entitled to an additional payment from the State to bring them up to a minimum level of income in retirement. The additional amount paid is called 'Pension Credit'. If you feel you may fall into this category and qualify for Pension Credit, then you may not fully benefit from joining the Plan. However, the introduction of the new single tier State Pension for those retiring after 6 April 2016 may make this less of an issue for many.

You can find out more by clicking on the link below:

https://www.gov.uk/pension-credit

Q What happens to my State pension if I retire abroad?

A The good news is that your State Pension can be paid to anywhere in the world.

Whilst State pensions are generally increased each year, but you will only receive the increase if you choose to live in another part of the of the world which has a social security agreement with the UK or if special arrangements apply (currently they apply to the European Economic Area, Gibraltar and Switzerland). In other cases, your State Pension will not increase if you move abroad.

You should contact the UK Government's International Pension Centre if you want advice on how your pension might be affected if you've already retired and are thinking of moving abroad

Q Where can I obtain a forecast of my State Pension?

A You can obtain a forecast at any time from www.gov.uk/state-pension-statement.

10. FAQ's

Q What happens if I leave the Company before taking benefits?

A The Company will stop paying contributions to the Plan when you leave, but all the contributions paid to the date of leaving (plus any investment growth), remain yours.

There are a number of options when you leave service. You can:

- Leave the money invested and continue to benefit from any investment growth.
- Transfer the fund to either a pension plan of your new employer or an individual pension arrangement.
- Continue to pay contributions into the Plan (if you are entitled to do so).
- Start to take some or all of your benefits if you are aged 55 or over.

Q What happens if I die before I take the benefits?

A If you die before you start to take benefits and before age 75, the full value of your fund at the time of your death will be paid out. To make sure the payment is made to the people you would like to receive it, please take the time to complete the Pensions Beneficiary Nomination form. You can find this in the Library section of the SAP benefits site. Legally, the final decision about who receives the money must be made by the Scottish Widows provider but, unless there are exceptional circumstances, the money will normally be paid to the people you nominate. It is also important to make sure you keep your nomination up to date should your circumstances change (for example, on marriage or divorce). Simply ask the Scottish Widows for a new form if you want to change your nomination.

If the amount payable on your death exceeded the Lifetime Allowance, there may be a tax charge of up to 55% on the excess over the allowance.

Q Can I contribute to more than one pension arrangement?

A Yes, you can. Any other pension plans would be independent of the Company pension plan and you should take advice before setting up other arrangements. One point to bear in mind is that all pension contributions made in each particular tax year count towards your Annual Allowance in that year and all your pension savings ultimately count towards your Lifetime Allowance. Since 6 April 2016 all Pension Input Periods match the tax year and end on 5 April in each year.

If you have just joined the Company and are considering what to do with any existing pension plans you may have contributed to in the past (or are still contributing to now), you have a number of options. You can:

- Continue to pay contributions to any existing pension plans you have and join the Company's group personal pension plan.

- Stop paying contributions to any existing pension plans and join the Company's group personal pension plan.

- Transfer the proceeds of your existing pension plan(s) into the Company's group personal pension plan. If you choose this option, you would stop any future contributions to the existing plan and start making contributions to the Company's group personal pension plan.*

*There are a number of key factors you need to consider before you make a decision regarding transfer of any pension plan. Further information can be found on the SAP benefits site. However, you are strongly advised to seek advice from a professional financial adviser before making any decisions.

Q How do I transfer my existing pension arrangements?

A The first thing you need to do is clarify whether or not the transfer can be made. You may not be able to transfer the benefits into the Plan (most existing pension arrangements can be transferred, but you do need to check first).

You will also need to find out whether any existing pension arrangement is part of an occupational scheme or personal pension plan. If you are not sure, you can either ask your previous employer (their HR Department will know) or, if it is an individual plan, you can ask the company managing your pension plan (usually a GPPP provider). Of course, if you have a professional financial adviser, the easiest route may be to ask them to obtain this information.

Once you have found out that the transfer is allowed, it is important to consider whether it is in your interests to transfer the money. Here are a few points to bear in mind:

- any guarantees you are giving up
- any benefits you are giving up
- any penalties for transferring

We would recommend that you seek professional financial advice before transferring your benefits.

For more information about transferring your benefits, you can also visit Scottish Widows' website, just follow this link:

https://www.scottishwidows.co.uk/retirement/pension-transfers/

Q **What things should I be especially careful about?**

A With any pension transfer you need to beware of 'pension scams'. If you are thinking about how to invest your pension savings, please be aware that there are many unscrupulous individuals or companies who may promote inappropriate investment schemes.

Falling foul of a pension scam could mean you lose some or all of your money. Please visit www.pension-scams.com or www.fca.org.uk/scamsmart for further information.

If you are concerned about scams, you can call The Pensions Advisory Service, part of the Money and Pensions Service, on 0800 011 3797 for free, impartial guidance.

Q **What are the charges under the Plan?**

A There is a standard charge taken directly from the total value of your fund each year, this is known as an Annual Management Charge (AMC). This standard charge is applicable to many of the funds managed by Scottish Widows, but not all. The standard AMC on the Company plan is 0.25%.

Further details of the AMC for other available funds can be found in the fund factsheet available on the SAP benefits site on the pension tile and in the site 'library' and in the Key Features document which can be found using this link: https://www.sapemployeebenefits.co.uk/

Please note there is a cap on plan fund charges under default funds in qualifying plans. The charge cap, as it is called, is currently 0.75% per annum of the value of your pension fund. As already explained above, the AMC on the Company plan is 0.25%

Some funds have their own charging structure, and this may be higher than the standard charge. This is likely to be the case if you choose funds that are managed by external fund managers. That is, not the funds offered by the company that administers the plan, but the funds offered by other fund managers.

It is important to understand that these charges may be subject to change in the future. Full information about the charges applied by different funds can be found in the fund centre section of the SAP benefits site.

Q **What happens to my benefits if I choose to retire abroad?**

A An increasing number of people plan to spend their retirement in another country.

The key attractions are usually the sun, the sea and an easier pace of living. There can also be financial advantages: property may be less expensive, the cost of living could be lower, and the taxes you pay may be less than in the UK.

The good news is that you can arrange for your pension benefits to be paid into either a bank account here in the UK or an overseas bank (though there may be extra charges to pay).

There is another approach. You may be able to transfer your pension into a special arrangement called a Qualifying Recognised Overseas Pension Scheme ('QROPS' for short). This route may be more advantageous in certain circumstances. Transfers to a QROPS will be taxed at 25% (called the overseas transfer charge) unless the individual is resident in the same country in which the QROPS is established; the QROPS is established in one EEA country and the individual is resident in another EEA country; or the QROPS is an occupational pension scheme sponsored by the individual's employer, an overseas public sector pension scheme or a pension scheme established by an international organisation.

It is very important to beware of pension scams. Therefore, it is highly advisable to seek professional financial advice if you are considering retiring abroad or transferring your benefits to an overseas plan.

Q What happens during maternity/paternity (or adoption) leave?

Please refer to https://www.sapemployeebenefits.co.uk/ for details of the maternity/paternity policy.

Q How is Capita paid?

A Capita operates on a fee basis for its services. These fees are paid wholly by SAP. There is no additional cost to you as a member over and above the Annual Management Charge.

Q Where can I get more information?

A If you would like to speak to someone about the Plan, please contact the SAP helpdesk.

Tel: 0207 204 1327

Email: sap@orbitbenefits.com

For more information about the SAP Pension Plan, such as the current value of your fund, an illustration of your estimated benefits at retirement, changing your investment funds or your contribution history, please log into your SAP benefits account at:

https://www.sapemployeebenefits.co.uk/

11. Useful sources of information

Workplace pensions – introductory information
https://www.gov.uk/workplace-pensions

National Insurance record
www.gov.uk/check-national-insurance-record

New State Pension (for those who reach State Pension age on or after 6 April 2016)
https://www.gov.uk/new-state-pension

State Pension Forecast - www.gov.uk/state-pension-statement

Get your State Pension - https://www.gov.uk/get-state-pension
Additional State Pension (for those who reached State Pension age before 6 April 2016) - www.gov.uk/additional-state-pension

Pension credit - www.gov.uk/pension-credit

Tracing Lost Pension - www.gov.uk/find-lost-pension

Living abroad – Pensions and benefits for people who live abroad
www.dwp.gov.uk/international

Pension Wise – a free and impartial service to help you understand your choices
www.gov.uk/pensionwise

Money Advice Service – Free impartial money advice, set up by the government
www.moneyadviceservice.org.uk

Age UK – Practical support and information on issues for older people (including local support groups) - www.ageuk.org.uk

The Pensions Advisory Service (TPAS) -
http://www.pensionsadvisoryservice.org.uk/

The Pensions Regulator - http://www.thepensionsregulator.gov.uk

The Money and Pensions Service (MAPS) -
http://www.moneyandpensionsservice.org.uk

12. General Information

This Guide is a direct offer financial promotion. This means a financial service product is being offered to you without a personal recommendation being made. The information contained within this guide is not a personal recommendation to join the scheme, nor should it be considered a substitute for obtaining individual professional financial advice. The benefits may be amended, varied or withdrawn at SAP's absolute discretion at any time during employment and are not intended to constitute contractual entitlements

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