



Salary Exchange factsheet

Retirement Savings Plan

Please read this factsheet if you are thinking about joining the Howdens Retirement Savings Plan (the Plan).

Unless you opt-out, or are not eligible, your pension contributions will automatically be structured under Salary Exchange.

How does Salary Exchange Work?

Salary Exchange is a common feature of many pension schemes. It lets you rearrange the way you make pension contributions by routing your pension contributions through the Company into the Plan. This means you get the same amount paid into the Plan, but your payment is made in a different way. The Company makes your pension contributions for you and your pay is reduced by an amount equal to those contributions.

The advantage of Salary Exchange is that your take-home pay increases. This is because the amount of money paid into the Plan by the Company, which would normally be paid by you, is not subject to National Insurance (NI) - for you and the Company.

The NI saving for you is 13.25% of the pension payment if you earn between £9,876 and £50,270 (2022/23 tax year) and 3.25% on any pension payment on earnings above £50,270 (2022/23 tax year).

You can opt-out of Salary Exchange by completing the application and amendment form. Please contact your HR or Payroll Departments to obtain this form.

For example, if you earn a gross Pensionable Pay ("gross" means your salary before tax) of £25,000:

Before Salary Exchange

Your Salary	£25,000
Your NI Contributions (based on £25,000)	(£2,004)
Your tax (assuming you are a Basic Rate taxpayer and a personal allowance of £12,570)	(£2,486)
You Pay a 4% pension contribution net of Basic Rate tax	(£800)
Your net pay after deductions for tax and NI contributions	£19,710

Total amount paid into your pension account:

Your pension contribution	£800
Basic Rate tax relief	£200
Company's pension contribution (based on a 8% employer contribution)	£2,000
Total	£3,000

After Salary Exchange

Pre-exchanged salary	£25,000
Salary Exchanged (assuming 4% salary sacrifice)	£1,000
Your salary	£24,000
Employee NI Contributions (based on £24,000)	(£1,871)
Your tax (assuming you are a Basic Rate taxpayer and a personal allowance of £12,570)	(£2,286)
You pay a 0% pension contribution	£0
Your net pay after deductions for tax and NI contributions	£19,843

Total amount paid into your pension account by the Company (assuming 8% employer cont.) £3,000

Using this example, your net pay is increased by £133 a year and the Company has paid £1,000 into the Scheme, plus the Company contribution. Salary Exchange is tax neutral - the savings come from the reduction in the NI paid.

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Salary Exchange is attractive for most members because of the increase to take home pay. You might be concerned about the pay reduction, but we have made sure that you are not disadvantaged in the following ways:

- Although your pay is reduced by the amount of the pension contribution, all your Company benefits will be based on your pre-reduction pay (called your "notional" pay) including your life insurance cover.
- Lenders are used to the idea of Salary Exchange. When you apply for a mortgage, for example, we will tell them your notional pay. They'll then take this pay into account when working out if you can afford your loan.
- Pay review and overtime will be based on your notional pay.

Note: This information is based on current legislation and is accurate as of 2022/23 for employees subject to legislation of England, Northern Ireland and Wales. Different rates apply for employees in Scotland. National Insurance contribution levels and Her Majesty's Revenue and Customs' treatment of Salary Exchange will be subject to change in the future.

Salary Exchange is not the best option if you earn less than a minimum amount (around £21,500 for 2022/23). We will check to make sure you are not in this group. If you are, we will let you know and withdraw you from the arrangement. If you work part-time, then the £21,500 figure is pro-rated.

Salary Exchange can also affect some State benefits, such as:

- Statutory Sick Pay
- Statutory Maternity Pay
- Statutory Redundancy Pay
- Additional State Pension
- Working Tax Credit or Child Tax Credit

If you have any queries in connection with Salary Exchange, you should contact your Payroll Department for more information.