



CABLE & WIRELESS

SMART PENSIONS

**THE SMART WAY OF PAYING
INTO YOUR PENSION SCHEME**



INTRODUCTION

SMART PENSIONS IS A WAY OF MAKING PENSION CONTRIBUTIONS.

IT HELPS TO MAKE THE COST OF SAVING FOR RETIREMENT A LITTLE MORE AFFORDABLE FOR BOTH YOU AND THE COMPANY.

WITHOUT SMART PENSIONS, YOU'D GET TAX RELIEF ON YOUR CONTRIBUTIONS, BUT YOU WOULDN'T GET ANY ADDITIONAL SAVING IN NATIONAL INSURANCE (NI) CONTRIBUTIONS. IT WOULD ALSO BE MORE EXPENSIVE FOR THE COMPANY.

SMART PENSIONS OFFERS THE SAME TAX RELIEF, BUT ALSO GIVES YOU AND CABLE & WIRELESS THE OPPORTUNITY TO SAVE SOME NI CONTRIBUTIONS.

SEE HOW IT WORKS, AND GET THE ANSWERS TO THE MOST FREQUENTLY ASKED QUESTIONS ON THE FOLLOWING PAGES....

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HOW DOES IT WORK?

- You don't pay pension contributions directly.
- Your contractual pay is reduced by the amount you choose to have paid into the pension scheme by Cable & Wireless. In addition, Cable & Wireless also pays its own contribution to the scheme.
- Because your salary is lower, you pay lower NI contributions but your take-home pay increases.

This example (based on 2008/2009 rates) shows how a colleague with a contractual salary of £30,000 can save £132 a year in NI contributions through Smart Pensions:

PAYMENTS	WITHOUT SMART PENSIONS	WITH SMART PENSIONS
Contractual pay	£30,000	£28,800
Pension contribution (4%)	£1,200	£0
Pay after pension contribution	£28,800	£28,800
NI contributions	£2,702 (based on salary of £30,000)	£2,570 (based on salary of £28,800)
Pay after pension contribution and NI	£26,098	£26,230

This example is based on legislation as at January 2008 and is subject to change if the law changes

QUESTIONS

SHOULD EVERYONE TAKE PART?

Most colleagues will benefit under Smart Pensions. There may be a few colleagues (such as those who receive state benefits or who have low earnings) who would be worse off under Smart Pensions or cannot take part. If you're in this group, we'll contact you to make alternative arrangements to collect your pension contributions.

HOW MUCH WILL MY TAKE-HOME PAY INCREASE BY?

Most colleagues will see an increase in their take-home pay. Depending on your salary level, and the amount you choose to sacrifice through Smart Pensions, we estimate that you'll take home between £4 and £220 a year more than you might otherwise have done.

ARE PENSION & COMPANY BENEFITS AFFECTED?

No. Smart Pensions will not reduce salary-related payments or benefits that you receive from Cable & Wireless. Your basic salary before adjustment for Smart Pensions (or any other benefit based on 'salary sacrifice', such as childcare vouchers) is the amount used to calculate the majority of your Cable & Wireless salary-related benefits (for example, salary increases, bonuses and overtime). It's also the amount used in mortgage letters.

Your pensionable salary, which for most colleagues is the same as basic salary, is the amount used to calculate your pension benefits and life assurance. If you earn sales commission, your pensionable salary is your basic salary plus 50% of your on target commission (unless your employment contract says otherwise).

This means that Smart Pensions has no effect on future pay reviews or other benefits you receive from working at Cable & Wireless.

HOW LONG WILL SMART PENSIONS LAST?

We plan to operate Smart Pensions indefinitely. However, if National Insurance or pensions law or practice changes, or if it's no longer viable for Cable & Wireless to operate it, we reserve the right to withdraw Smart Pensions.

ARE STATE BENEFITS AFFECTED?

Smart Pensions will not affect child tax credit or working tax credit. As Smart Pensions may affect statutory maternity, paternity or adoption payments, if you receive these benefits you will not be included in Smart Pensions. You'll remain out of Smart Pensions until the first pay date after you stop receiving these benefits. Your basic salary will then be tested against the criteria for state benefits. If your salary is sufficient and state benefits are not affected, you'll automatically be reinstated in Smart Pensions.

If your earnings are low (less than around £6,000 a year) the following State benefits could be affected:

- Basic State Pension
- Incapacity Benefit
- Jobseekers Allowance

For this reason, if you earn less than £6,000 a year you'll not be included in Smart Pensions.

WHAT ABOUT THE STATE SECOND PENSION (S2P)?

Lifetime Benefits Plan (LBP) members pay full NI contributions and therefore build up S2P benefits in addition to their Cable & Wireless pension.

S2P provides benefits on an earnings related basis up to around £40,040, for the 2008/09 tax year. Smart pensions reduces the earnings used to calculate S2P benefits, so if you're a LBP member and you earn less than £40,040 a year you may see a small reduction in your S2P benefit when you reach state pension age. However, the saving you make in NI is usually much greater than the lost S2P benefit.

If you're concerned about any reduction in your S2P benefits as a result of Smart Pensions, you may wish to consider using your NI saving to increase your pension benefits.

HOW WILL SMART PENSIONS AFFECT INCOME TAX?

Smart Pensions will not change the amount of income tax you pay.

WHAT ABOUT ADDITIONAL PAYMENTS TO THE PENSION SCHEME?

Any additional payments you make (e.g. AVCs) are not included in Smart Pensions and will be deducted from your salary and paid directly into the pension scheme.

WHY IS MY NI SAVING SMALLER IF I EARN MORE THAN £40,000 A YEAR?

Because NI savings are different at different rates of pay. The marginal rate of NI contributions that you pay depends on how much you earn. If you earn more than the NI upper earnings limit (£40,040 from April 2008), your NI contribution rate is just 1%. If this rate increases in future, your saving will go up. Although your take-home pay will only increase slightly, there's still a significant cost saving for Cable & Wireless. Anything that benefits the financial strength of Cable & Wireless also benefits all colleagues.

WHERE DO I GET MORE INFORMATION ABOUT SMART PENSIONS?

If you have any queries about Smart Pensions, you should email > Ask HR. However, please note that no-one at Cable & Wireless is authorised to give financial advice. If you're unclear about the impact of Smart Pensions, you should contact an Independent Financial Adviser (IFA). If you don't have an IFA, Independent Counselling and Advisory Services Ltd. (ICAS) can help you select one. Their telephone number is 0800 072 7072. Alternatively, the Citizens Advice Bureau should be able to provide you with a list of local IFAs.