

Appendix

AA Pension Scheme – Staff Section

The decision

The Company has decided to go ahead with its proposal to increase the member contributions for affected members under state pension age as at 1 April 2015 by 2.85%, with effect from 1 May 2016.

Your Options

The new contribution rate will take effect automatically on and from 1 May 2016, unless you return an opt out form to the Company on or before 23 May 2016 and instead choose one of the following options:

- switch to the CARE Section for future employment by completing the enclosed application form and choose from a range of available contribution and corresponding accrual rates starting at an employee contribution rate of 4%;
- opt out of the Scheme and complete the enclosed application form to join the L&G Worksave Pension Plan for future employment and select an employee contribution of 4% or 5% and get a Company contribution of 6% or 7% respectively; or
- opt out of the Scheme and, after three months, be automatically enrolled into the L&G Group Personal Pension Plan (AA Worksave Auto-Enrolment Plan) if you meet the relevant criteria and pay a contribution of 1% of your band earnings and receive a Company contribution of 1% of your band earnings.

All the forms that you need to complete in order to notify the Company of your decision are enclosed with this letter and a helpful decision flowchart is also included which will guide you through the forms for completion. Further details about the contributions and benefits offered by the CARE Section, the L&G Worksave Pension Plan and the L&G Group Personal Pension Plan (AA Worksave Auto-enrolment Plan) can be found on the website: www.aapensions.com.

Before deciding which option to choose, you may wish to seek advice from an independent financial adviser. Details of an independent financial adviser near you can be found at www.unbiased.co.uk. You will need to agree to any fees payable to your chosen independent financial adviser. You should ensure that they are suitably qualified and experienced.

Once you have made your decision, you should complete the enclosed decision form and (if relevant) one of the enclosed application forms and return these to the **AA Pensions Department, Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA**.

If you decide not to complete and return a decision form or if your decision form does not reach the AA Pensions Department on or before 23 May 2016, the default position will be that:

- you will remain in the Staff Section and your contributions will be automatically increased by 2.85% of pensionable earnings with effect on and from 1 May 2016; and
- if you currently pay your contributions to the Staff Section via AA Plus, the additional contribution of 2.85% of pensionable earnings will also be paid via AA Plus. However, if your contributions to the Staff Section are paid directly from your salary, the additional contribution will be paid directly from your salary.

Whichever option you choose, you will still pay the additional employee national insurance contributions or NICs (namely 1.4% of band earnings) with effect from 6 April 2016 and will see the increased NICs in your pay-slip.

Additional period to exercise options

The Company is aware that whether to remain in or leave the Staff Section is a big decision, and that you may want more time to seek financial advice and consider your options. The Company has therefore decided to give you a further period of time, ending 15th July 2016, in which to decide if you want to remain in the Staff Section.

If you do wish to leave the Staff Section and take up one of the other options, you must return your decision form so that it reaches the AA Pensions Department no later than 15th of each month up to the 15th July 2016. If you exercise your option by the 15th of any month, your choice will have effect from the 1st of that month. If you exercise your option after 15th of the relevant month, your choice will take effect from the 1st of the following month.

For the avoidance of doubt, if you do not return your form on or before 23 May 2016, you will not have any additional 2.85% contributions refunded for the additional period during which you remain an active member of the Staff Section.

Your option to switch to the CARE section of the AA Pension Scheme on the 1st April of each year still remains.

Your contributions

The total member contribution rate that you will pay, expressed as a percentage of your pensionable earnings if you continue in the Staff Section will be as follows:

Current contribution rate	New contribution rate from 1 May 2016
7.5%	10.35%
8.5%	11.35%

Unless you choose to cease building up pension benefits in the Staff Section, your contributions will continue to be automatically deducted from your pay and you will receive tax relief on them. The Company will continue to meet the remainder of the costs of running the Scheme.

The new contribution rate will take effect automatically on and from 1 May 2016, unless you return an opt out form to the Company on or before 23 May 2016 and instead choose one of the options set out in this appendix.

As previously explained, whichever option you choose, you will still have the pension that you have built up while you were contracted out. This is protected by law.

Impact on other Scheme benefits

As noted in the initial consultation letter dated 27 November 2015, some parts of the Scheme's benefit structure incorporate elements of the pre 6 April 2006 State pension system.

The changes set out in the initial consultation letter to ensure that the basis upon which your benefits are calculated remains unchanged have been implemented with effect from 6 April 2016.

The Company does, of course, still retain the right to amend or terminate the Scheme at any time in the future for any reason, subject to an appropriate consultation process.