BRIDON

Pension News

Bridon Group (2013) Pension Scheme May 2014

Welcome to the 2014 edition of Pension News

This newsletter contains the first update of the Scheme accounts and investment performance since it was established on 1 July 2013. You will also find the details about the 2014 Budget. This covers how the Budget affects pension savings and in particular, how it might affect you.

If you have questions about anything covered in this newsletter, please get in touch with the Aon Hewitt Bridon team – their details can be found on the right.

Inside

The Aon Hewitt Bridon team

Here are the contact details for the Scheme's administrators at Aon Hewitt:

The Bridon Group (2013) Pension Scheme
Aon Hewitt Limited
Colmore Gate, 2 Colmore Row
Birmingham B3 2QD

Phone: 0121 262 5063
E-mail: bridonpensions@aonhewitt.com

You can contact the team if:

- you have any questions about the contents of this newsletter or your benefits
- any of your personal details change or you need to update your expression of wish form
- you are a deferred member and would like to know the transfer value of your benefits or would like to request a retirement quotation.

You can also ask the team for copies of the following Scheme documents.

- Trust Deed and Rules
- Statement of investment principles, which explains how the Trustee invests the Scheme's assets
- Schedule of contributions, which shows how much money is being paid into the Scheme by the company
- Annual report and accounts, which shows the Scheme's assets and income and expenditure each year. (The latest accounts available are for the year up until 31 December 2013.)

Alternatively, you can download these documents from the Scheme website – **www.bridonpensions.co.uk.**

The Budget 2014

You have probably heard that in the March Budget, the Government announced proposals to make some types of pension more flexible, and you may be wondering what this means for you.

This announcement concerns 'defined contributions' (DC) pensions. It does not affect the Scheme directly as it is a 'defined benefit' or DB arrangement (the benefits are set out in the Scheme rules). It also does not affect people who are already drawing a pension.

However, we recognise some members may have DC pension benefits, possibly in another employer's pension scheme or a personal pension plan. If you have ever paid Additional Voluntary Contributions (AVCs), these are DC benefits.

We also recognise that some members may wish to take advantage of the proposed new flexibility by transferring their benefits from the Scheme into a DC pension arrangement (although it would be wise to consider independent financial advice before taking this kind of action – see 'Taking advice' below).

With this in mind, we have set out a summary of the proposals here.

How DC pensions currently work

- DC pensions build up based on contributions and investment returns.
- Under current legislation, people with DC retirement savings can take up to 25% of their retirement savings as a one-off amount of tax-free cash when they retire.
- It is possible to take more cash than this, but doing so would incur a high rate of tax – 55%.
- Most people use their DC retirement savings to buy a pension (sometimes known as an annuity) which will pay out during their lifetime and then stop when they die.

More flexibility under new proposals

The Government is now consulting on making the following changes from next April.

- If you want to take cash out of your retirement savings, once you have used up the 25% tax-free allowance you would pay only your highest rate of income tax (20%, 40% or 45%)
- You would be able to take income directly out of your retirement savings each year and just pay normal income tax.
- You would still be able to buy a pension if you wanted to, but you would not have to do it straight away.

Taking income directly out of your retirement savings is known as 'income drawdown'. It is already available, but with some restrictions which mean it is generally only suitable for people with larger amounts of retirement savings.

Possible pitfalls

The proposed changes were prompted, at least in part, by widespread worries that the rates for buying DC pensions no longer represent good value. However, there are some possible pitfalls.

- People might take too much money out of their retirement savings in the early years and find they do not have enough to live on in later years.
- DC retirement savings have to be invested. Anyone who wanted to take an income out of their retirement savings would have to be careful about the investments they chose, as they would need to keep their savings growing.
- People with DB pensions might transfer them to DC pensions which did not represent good value for them (hence the importance of taking financial advice before doing this).

Other changes

Also in the Budget, the Chancellor announced an increase to the limit for taking the whole of your pension as cash. From April 2014, if the total value of all of your pension benefits from registered pension schemes, including DB and DC benefits, is less than £30,000, you can take them all as cash once you reach age 60 (the first 25% is tax-free; after that you pay income tax). If you think this might apply to you, please consider taking independent financial advice to help you understand the options available to you (see 'Taking advice' below).

The rules about small pension pots will be changed so that individual pension benefits of up to £10,000 can be taken as cash, irrespective of the individual's total pension wealth. Previously a £2,000 limit applied. The number of personal pension pots that can be taken in this way will also increase from two to three. The first 25% is tax-free; after that you pay income tax.

The Government is looking at increasing the minimum age for taking retirement benefits from 55 to 57 by 2028, so it remains 10 years behind the State Pension age.

Taking advice

If you are considering making any changes to your pension savings as a result of the Budget announcement – especially if you are thinking of transferring your Scheme benefits out to a DC pension – you should consider taking independent financial advice. See 'Taking independent advice' on page 6.

Investment update

The Trustee has appointed a number of investment managers to carry out its chosen investment strategy and has delegated all day-to-day decisions on the Scheme's investments to these fund managers. Spreading the assets across different managers and global locations can remove some of the risk to the Scheme of one manager or regional market performing badly.

The Trustee – with the help of its investment adviser – reviews its chosen fund managers' performance and overall suitability on a quarterly basis. The Trustee also monitors each manager's voting and corporate governance activity. When choosing investments, the fund managers are required (by law) to take into account social, environmental and ethical considerations in making their investment choices.

The Trustee Directors meet each of the equity fund managers in person at least once a year.

A transfer of assets from the FKI Group Pension Scheme to the Bridon Group (2013) Pension Scheme took place on 10 July 2013. The total amount transferred included £50,658,151 of invested assets, £183,633 of cash and £150,926 of AVC investments.

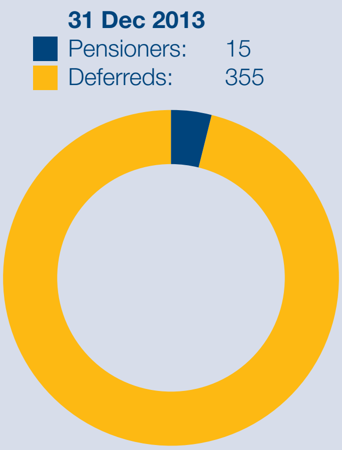
The following table shows the performance of each fund over the 12-month and three-year periods to 31 December 2013. As some of the Scheme's assets were invested in Legal & General's Over 15 Year Index-Linked Gilt fund in 2013, the assets have not been invested long enough for the one-year and three-year figures to be available. Similarly, Morgan Stanley has only been investing the Scheme's assets long enough for the one-year figure to be available. Performance figures for these new funds will be available in next year's member newsletter.

Manager	What they were investing in	Their performance over the period to 31 December 2013 (%)			
		Return over one year		Annual average return over three years	
		Fund	Benchmark	Fund	Benchmark
Invesco	UK Equities	28.4	20.8	15.8	9.4
Majedie	UK Equities	30.4	20.8	15.8	9.4
Morgan Stanley	Global Equities	21.3	26.7	–	–
Legal & General	AAA-AA-A Bonds Over 15y Index	-1.1	-1.0	7.6	7.5
Legal & General	Over 15y Index-Linked Gilts	–	–	–	–
Legal & General	2035 Index-Linked Gilts	0.0	0.1	7.0	6.9
Legal & General	2062 Index-Linked Gilts	–	–	–	–
	Total Assets*	8.6	7.0	9.3	8.4

Performance includes returns prior to the demerger and is shown gross of fees.

Member profile

There were 370 members of the Scheme at 31 December 2013. The chart shows the types of member making up that number. As this is the Scheme's first 'year end', there are no previous year's figures to compare these with.



The year in brief

Accounts summary

This table shows the key figures from the full audited Scheme accounts, which you can find in the latest annual report, dated 31 December 2013. You can download a copy of the full report from the Scheme website. Alternatively, copies are available from the Aon Hewitt Bridon team – see the first page for their contact details.

	2013 £000
What came in	
Company contributions	756
Group transfer in from the FKI Scheme	50,993
Total income	**51,749**
What went out	
Pensions	51
Tax free cash sums to retiring members	583
Fees and expenses	209
Total outgoings	**843**
Fund value at the start of the year	**0**
Total income	51,749
Less total outgoings	(843)
Increase in value of investments	1,029
Fund value at the end of the year	**51,935**

The next annual report, dated 31 December 2014, is scheduled to be signed by the Trustee and published during summer 2015.

If you are currently receiving a Scheme pension

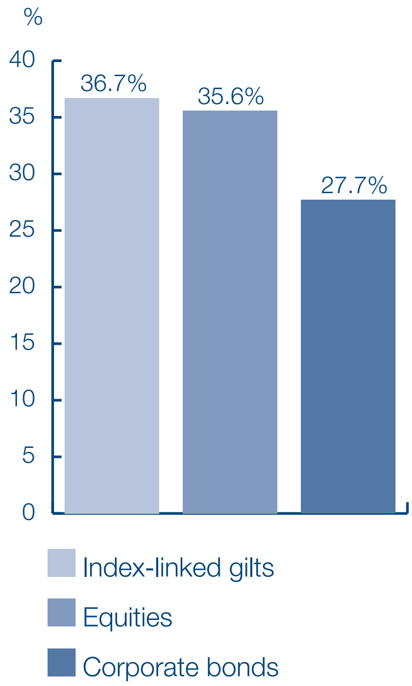
You must let us know as soon as possible if there is a change to your bank or building society details. If you need to update your details, please contact the Aon Hewitt Bridon team.

If you are changing your bank account, we ask that you do not close your old bank account until you have received confirmation from the Aon Hewitt Bridon team of the date from which your pension payments will be sent to your new bank account.

Investment strategy

At the end of the year, the Scheme's investments were spread across the assets shown in this chart.

2013



Every quarter, with the help of their advisers, the Trustee Directors review their investment strategy. You can find the Trustee's statement of investment principles – the official document setting out its chosen investment strategy – on the Scheme website.

When making decisions on investment strategy, the Trustee Directors follow independent guidance in areas such as effective decision-making, setting objectives and measuring performance (the 'Myners Principles'). The Trustee Directors monitor their compliance with these principles on an annual basis.

Noticeboard

Website

Remember to visit the new Scheme website at **www.bridonpensions.co.uk**

On the website, you can:

1. View copies of the Scheme booklets and other official Scheme documents
2. Download all the forms you might need
3. Find the answers to 'frequently asked questions'
4. Use the contact link to e-mail the Aon Hewitt Bridon team
5. Follow links to other useful websites.

Lifetime Allowance

The lifetime allowance (LTA) is the total amount that you can build up from all your pension savings in your lifetime without incurring a tax charge. The limit has reduced to £1.25 million for the 2014/15 and subsequent tax years.

The LTA is normally tested at the point at which you take your benefits, and this is called 'crystallisation' of your benefits. The LTA will only affect members who have or are building large pensions on retirement (active members of the Plan receive annual benefit statements detailing the LTA accrued at the date of the statement). If you are over the limit, then tax will be charged on the excess at 55% on your lump sum and 25% on your pension at the time benefits are taken.

The Pensions Regulator has more information on its website, **www.thepensionsregulator.gov.uk**.

Expression of wish form

Under the Scheme Rules, a lump sum is payable if you die while you are a deferred member or in your first five years of retirement. The Trustee has the final decision over who receives this cash sum. This way, it should not become part of your estate and your beneficiary (or beneficiaries) should not have to pay inheritance tax on it.

This is why it is important for you to send us your expression of wish form. This is the form you use to tell the Trustee who you would like to receive the payment. For the reasons above, the Trustee is not bound by law to follow your wishes, but it will usually act on them unless there is good reason to do otherwise. The form also helps the Trustee to make a relatively quick decision at what would be a time of great distress for your family.

You may have already sent us a form, but please take the time to consider if it is still up to date. If your personal circumstances change – if you marry, divorce, register or dissolve a civil partnership, or become a parent – it may affect who you want to name on your form.

If you need to send us a new expression of wish form, go to the 'Member forms' section of the Scheme website, where you can download a blank form. You should return your completed form to the Aon Hewitt Bridon team. (Their contact details are on the first page.) Alternatively, if you cannot access the website, the team will be happy to send you a form in the post.

Pension liberation – a fraud warning

The Pensions Regulator launched a campaign warning of the dangers of a growing, often underhand practice called Pension Liberation. You may have seen advertisements or received phone calls claiming you can turn your pension savings into cash. Under normal circumstances you cannot access pension savings before age 55, except in cases of serious illness. Taking cash out of your pension before age 55 could make you liable to high levels of taxation and charges as HM Revenue and Customs would treat any cash that you would receive as an 'unauthorised payment'.

There is evidence that companies offering pension liberation are deliberately targeting people in difficult financial circumstances, urging them to act quickly in return for cash incentives, but failing to make the tax implications clear. You should never rush into making a decision about anything to do with your pension savings. If you are tempted by a pension liberation offer, please look at the information available from the following two organisations.

- The Pensions Regulator has more Information on its website, **www.thepensionsregulator.gov.uk**.
- The Pensions Advisory Service has a leaflet, 'Don't let your pension become prey', which you can download free of charge from **www.pensionsadvisoryservice.org.uk** (look for links to 'Pension fraud'). Or call the helpline on **0845 601 2923** if you think you have been made a pension liberation offer.

If you think you have been made a pension liberation offer you can report it to ActionFraud on **0300 123 2040**.

Who's who

Trustee news

In November 2013 we reported in Pension News that there were three vacancies for Member-nominated Directors in the Scheme. Kenneth Mallin, Gary Peters and Glendon Dallard have been reappointed to the board unopposed. In addition there has also been a change to the Company-nominated Directors of the Scheme, with Graham Hardcastle replacing Garry Barnes on the board.

The Trustee is responsible for running the Scheme in line with its Rules and current pensions law, while looking after the best interests of its members. The Trustee Directors have a broad understanding of pensions and investment issues. They appoint professional advisers to assist them in areas where specialist knowledge is needed.

The Trustee Directors and their advisers meet quarterly to monitor the Scheme's compliance with legislation and its own Rules, and keep track of the Scheme's investments and administration. In line with best practice, the Trustee Directors formally assess their own performance at regular intervals, and undertake training when required to fill any gaps in their knowledge.

The current Trustee Directors are:

Michael Duncombe	Independent (Chairman)
Joff Crawford	Company-appointed
Glen Dallard	Member-nominated
Graham Hardcastle	Company-appointed
Ken Mallin	Member-nominated
Gary Peters	Member-nominated
Ted Rutter	Independent

The Trustee's advisers are as follows:

Actuary	Alka Shah, Aon Hewitt Limited
Administrator	Aon Hewitt Limited
Auditor	Ernst & Young LLP
Investment managers	Invesco Fund Management Limited Legal & General Assurance (Pensions Management) Limited Majedie Asset Management Limited Morgan Stanley Investment Management Limited
Legal adviser	Squire Sanders (UK) LLP
Pensions manager / Secretary to the Trustee	Susi Beech, Aon Hewitt Limited Ian Emery, Aon Hewitt Limited

Taking independent advice

If you are thinking of making any changes to your pension arrangements (for example, transferring your benefits to another scheme, if you are a deferred member), you should consider taking professional financial advice. The law does not allow the Trustee or your employer to advise you on what might be best for your situation.

If you feel you need advice, you should consult an independent financial adviser (IFA). If you do not already use an IFA, **www.unbiased.co.uk** can give you details of an adviser in your area.

The Money Advice Service website has a range of information, including where to look for financial advice and questions to ask potential advisers.

Website: **www.moneyadviceservice.org.uk**

Telephone: 0300 500 5000

You generally have to pay for financial advice; so ask the adviser about their charges. You should also check that any adviser you are thinking of using is qualified and authorised to advise you. You can check whether an adviser is registered with the Financial Conduct Authority (FCA) by looking on their website, **www.fca.gov.uk**.

Scheme Data Review

Whilst the Bridon administrators endeavour to ensure that member data is up-to-date, it is important that you also play your part in informing the Trustee of any change (such as an address change or change to your marital status) so that records can be updated without delay. You can update your personal details by contacting the Aon Hewitt Bridon team (contact details are on the first page).

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