

Pension News

Bridon Group (2013) Pension Scheme

May 2015

Welcome to the 2015 edition of Pension News

This newsletter contains the summary funding statement for the Scheme. This contains the latest information about the Scheme's financial health and the arrangements that are in place to support your benefits.

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 back page.

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Summary funding statement

As Trustee Directors, we look after the Scheme on behalf of its members. In particular, we are responsible for managing the Scheme's funding position. This involves comparing the value of the Scheme's assets with an estimate of the assets the Scheme needs to provide all pension and other benefits, based on agreed financial and other assumptions.

This funding statement, which is a legal requirement, is provided to help members understand the level of financial security of the Scheme. The funding statement will be updated and sent to members each year.

Understanding the level of financial security, and how this is measured, is important for members as it may affect the benefits you will receive. Scheme members have earned benefits, especially the right to receive a pension on retirement. The value required to provide all these earned benefits is known as the Scheme's liabilities.

Bridon International Limited ('the Company') pays contributions so that the Scheme can build up a fund to pay the pensions and other benefits to members. The Scheme's assets consist of the cash, shares, bonds and other investments it owns.

To measure the Scheme's financial security the Trustee compares the value of the Scheme's liabilities and assets. If the value of assets is lower than the liabilities, the Scheme has a 'shortfall'. If the value of assets is more than the liabilities, the Scheme has a 'surplus'.

It is important that individual members are clear that they do not have their own individual pension funds within the Scheme. Instead, the Scheme, like all defined benefit schemes, is set up as one common fund. The Scheme's accumulated assets are invested by the Trustee and used to pay pensions and other benefits.

What figures are included in the summary funding statement?

Every three years, the Scheme Actuary assesses the progress of the Scheme's funding arrangements in a process called an 'actuarial valuation'. The Trustee is also provided with regular valuation reports from the Actuary that give an estimate of the amount of assets needed today to meet the expected benefit payments. This estimate allows for future investment returns. Using this information, the amount of contributions needed to keep the Scheme assets on track (to meet the objective to pay pensions and other benefits) can be determined and monitored.

The funding statement includes the results of the first actuarial valuation of the Scheme, which was based on information about the Scheme at 31 December 2013. It also includes the results of the approximate actuarial update carried out as at 31 December 2014.

The next formal actuarial valuation of the Scheme will be carried out no later than 31 December 2016.

Behind the numbers

An actuarial valuation looks at the funding position on an 'ongoing basis' and a 'discontinuance basis'. Figures based on both of these measures are included in the funding statement.

The **ongoing basis** looks at the Scheme's funding assuming that the Scheme continues into the future. The Scheme Actuary helps the Trustee to agree a funding target (called the 'technical provisions') for the Scheme. This target is the estimated amount that the Scheme will need to pay for members' benefits earned up to the valuation date.

The plan to meet the funding target, through contributions from the Company and investment returns, assumes the Company will continue in business and be able to make the necessary contributions to the Scheme.

The **discontinuance basis** (also known as the solvency basis) looks at whether there would have been enough assets to buy insurance policies to provide members' benefits if the Scheme came to an end at the valuation date. (This basis is shown because it is required by law. It does not mean that the Company is actually thinking of discontinuing the Scheme.)

The cost of providing all the benefits through buying insurance policies is higher than the cost of paying them gradually over future years, as insurance companies use tougher financial assumptions, especially regarding the investment returns the assets will make. Even if a scheme is fully funded on the ongoing basis, the discontinuance figure will almost certainly be less than 100%.

Figures based on the 31 December 2013 valuation

Ongoing basis

Scheme assets	£51.8 million
Scheme liabilities (estimated amount required to meet the funding target)	£64.2 million
Shortfall	£12.4 million
Funding level (Scheme assets divided by liabilities)	81%

Discontinuance basis

Scheme assets	£51.8 million
Scheme liabilities (amount required to pay benefits through buying insurance policies)	£97.9 million
Shortfall	£46.1 million
Funding level (Scheme assets divided by liabilities)	53%

Figures based on the 31 December 2014 approximate funding update

Ongoing basis

Scheme assets	£67.4 million
Scheme liabilities (estimated amount required to meet the funding target)	£80.6 million
Shortfall	£13.2 million
Funding level (Scheme assets divided by liabilities)	84%

The FKI Group Pension Scheme was restructured with effect from 1 July 2013 to align with the individual businesses and the Bridon Group (2013) Pension Scheme was created. The estimated share of the deficit in respect of the Scheme members in the FKI Group Pension Scheme was £17.4 million at 31 December 2011, the date of the last actuarial valuation of the FKI Group Pension Scheme. This has become a deficit of £12.4 million as at the 31 December 2013 valuation.

The Scheme's funding level on the ongoing valuation basis improved slightly over the year to 31 December 2014 increasing to 84%, mainly because of deficit contributions paid over the period and the £6.7 million due to the sale of Bridon and positive investment performance. This has been partly offset by the increase in the value placed on the liabilities because of a significant fall in gilt yields at all terms.

How much money is paid into the Scheme each year?

The Scheme was created following a de-merger of the FKI Group Pension Scheme. Around 8% of assets and liabilities on a technical provisions basis were transferred from the FKI Group Pension Scheme into the Scheme.

As this is the first actuarial valuation of the Scheme there was no Recovery Plan in place. However, the interim Schedule of contributions put in place in August 2013 stated that the Company will pay deficit reduction contributions of £1.51 million a year from 1 September 2013 until 30 June 2021, together with £0.252 million in August 2013.

In November 2014 the Company was sold to the Ontario Teachers' Pension Plan. As part of the negotiation process the Trustee Directors signed a Memorandum of Understanding with the Company in which it was agreed that the Company would make the following contributions to the Scheme:

- A one-off contribution of £6.7 million on completion of the sale of the Company. This was received on 12 November 2014, then
- £1.9 million a year from 1 January 2015 until the Scheme is fully funded on the technical provisions basis.

Following the 31 December 2013 valuation the Trustee and the Company have agreed a recovery plan that is designed to restore the funding level to 100% by 31 December 2017. The Company continues to make contributions to the Scheme in order to reduce the £12.4 million shortfall as of 31 December 2013. The Company contributions will be:

- £1.51 million a year from the valuation date until 31 December 2014, then
- £1.9 million a year from 1 January 2015 until 31 December 2017.

The Trustee closely monitors the performance of the Company and receives updates on its performance at each quarterly Trustee meeting.

Is my pension guaranteed?

The Trustee's aim is for the Scheme to have enough money to pay pensions now and in the future. However, this plan relies on the employer carrying on in business and continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the employer will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the employer will need to put in more money.

What would happen if the Scheme started to wind up?

If the Scheme winds up because the employer becomes insolvent you may not receive the full amount of pension you have earned, even if the Scheme is fully funded against its target funding level. However, while the Scheme remains ongoing, even though funding may fall below target, pensions will continue to be paid in full.

Why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. When estimating the cost to provide benefits, insurers are required to take a very cautious view of the future, include a profit margin and make an allowance for their expenses. By contrast, the funding plan assumes that the Company will continue to financially support the Scheme and it includes less cautious assumptions about the future than those typically used by insurers.

Pension Protection Fund (PPF)

In the event of a wind up, it may be that the Company is unable to pay the full amount required by an insurance company to secure the liabilities. If the Company became insolvent, the Pension Protection Fund (PPF) may be able to take over the Scheme and pay compensation to members. The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent. It does not, however, guarantee to pay full benefits. Further information and guidance is available on the PPF website at: www.pensionprotectionfund.org.uk. Alternatively, you can write to the PPF at Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.

Have there been any payments to Bridon International Limited?

The Trustee is legally required to include details of any payments made to the Company in the funding statement.

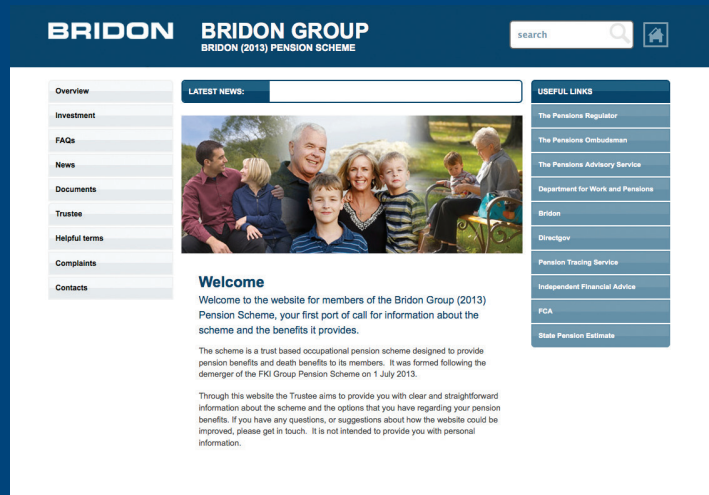
The Scheme's assets are kept separate from the Company and are managed by the Trustee. There have been no payments to the Company from the Scheme in the last twelve months, except to reimburse the Company for Scheme expenses it has paid directly. The Trustee would not expect to make any other payments to the Company and there are rules restricting the circumstances in which this can happen.

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



Watch out for pension scams

Our May 2014 Pension News warned members to watch out for rogue companies that are targeting members of pension schemes. The Pensions Regulator is warning that this is still a threat, especially in light of the new pension freedoms announced by the Government (see our May 2014 newsletter for further details).

These rogue predator companies operate by offering to help members release money from their pension funds (either as a tax-free cash offer or as a loan), usually before retirement age. The practice, also known as 'pensions liberation', can be illegal and, if something goes wrong, you may be liable for a tax charge and there is no guarantee you will get your money back.

If the offer made to you by a pensions company appears too good to be true, it probably is.

You can find out more on this on the Pensions Regulator's website: www.pension-scams.com

The Pensions Advisory Service has a leaflet, 'A lifetime's savings lost in a moment', which you can download free of charge from www.pensionsadvisoryservice.org.uk (look for links to 'Pension fraud').

Or call the helpline on **0300 123 1047**.

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

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.moneyadvice.service.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.

Expression of wish form

Under the Scheme Rules, a lump sum is payable in the event that 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 back page.) Alternatively, if you cannot access the website, the team will be happy to send you a form in the post.

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.

Scheme Data Review

The Scheme administrators endeavour to ensure that member data is up-to-date, but 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 page 8).

AVCs

While you were an active member of the Scheme, you may have paid Additional Voluntary Contributions (AVCs). If you are a deferred member, your AVC account will continue to be invested until your retirement. (Historically, Scheme AVC accounts were also possible with a number of other providers such as Friends Provident and Equitable Life. You may still receive information from these other providers if you hold an account with them.)

The Trustee Directors have chosen a range of investment funds to be made available from Friends Provident. If you hold an AVC account with Friends Provident, you should currently be receiving a statement of your investments each year. Friends Provident now also allow members to access their fund information online. If you wish to register for this service, please visit the website below and follow the register instructions:

<http://www88.friendsprovident.com/membersite/>

Your choice of investment funds for your AVC account may have a significant impact on the size of the account available to you at retirement. It is therefore important that you regularly review your investment choices and consider the various options available to you.

Please note that neither the Scheme's Trustee nor the administrators are able to advise you on the best investment choices for you. See page 5 of this newsletter for details of where you can obtain advice if you require it.

Pension Freedom Day - 6 April 2015

Defined Benefit Transfers

Transfers from Defined Benefit (DB) to Defined Contribution (DC) schemes continue to be allowed (but exclude pensions that are already in payment). You must take advice from a regulated adviser before transferring from a DB scheme unless the value is less than £30,000. You will have to pay for the advice.

Payment options under DB schemes

The transitional rules on triviality and small pots outlined below will continue to apply to DB pension schemes beyond April 2015:

- An increase in the trivial commutation limit from £18,000 to £30,000; and
- An increase from £2,000 to £10,000 for the maximum lump sum that can be taken from one small pension pot regardless of others. The maximum number of pension pots that can be commuted in this way rose from two to three.

The minimum age for accessing pension savings in this way is now 55.

Minimum Pension Age increased to age 57

The normal minimum pension age (the earliest age you can normally access your pension) will increase from age 55 to age 57 in 2028. It will increase at the same rate as the increase in State Pension Age from then on. This means the minimum pension age will remain ten years below State Pension Age.

State Pension

The earliest you can get your State Pension is when you reach your State Pension Age. A State Pension Age calculator is provided on the Gov.uk website and can be found at <https://www.gov.uk/calculate-state-pension>. This tool calculates the date you will reach your State Pension Age, under current legislation, based on gender and date of birth.

As you may be aware the State Pension system is changing. The amount you'll get will depend on your National Insurance record and when you reach State Pension age. You'll claim basic State Pension and Additional State Pension if you reach State Pension age before 6 April 2016. You'll claim the new State Pension if you reach State Pension age on or after 6 April 2016.

You can request an estimate of the State Pension you'll get when you reach State Pension age via the Government website <https://www.gov.uk/state-pension-statement>.

Pensions taxation

Annual Allowance

There is an overall limit on the amount of pension benefits that you can build up and take tax-efficiently at retirement. This is called the Lifetime Allowance and it applies to all of your pension benefits, including any you might have outside the Scheme. The Lifetime Allowance is currently £1.25 million this will reduce to £1 million with effect from 6 April 2016.

Anyone with pension benefits in excess of £1 million may elect for transitional protection, Fixed and individual protection regimes are to be introduced, there is no detail as yet on how these will work but it is assumed that these will be similar to Fixed Protection 2014 and Individual Protection 2014. From 6 April 2018, the lifetime allowance will be increased in line with the Consumer Price Index.

Most employees will not be affected by these changes and will be able to continue saving as much as they can afford, as well as receive tax relief on the contributions they pay. However, if you think you may be affected, you may want to consider consulting an independent financial adviser.

Who's who

Trustee news

In November 2014, the Company was sold to the Ontario Teachers' Pension Plan. As a result Joff Crawford and Garry Barnes stepped down as Company appointed Trustee Directors and Phil Higginbottom and Jane Hendley were appointed by the Company in their place.

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)

Glen Dallard
Member-nominated

Jane Hendley
Company-appointed

Phil Higginbottom
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 Patton Boggs (UK) LLP

Pensions manager / Secretary to the Trustee
Ian Emery, Aon Hewitt Limited

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 Scanning Division
PO Box 196
Huddersfield
HD8 1EG

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.)
- Latest actuarial valuation, as at 31 December 2013.

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