



Howden Joinery
Pension Plan

Pensions News

July 2012



Working
together

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Welcome

to Pensions News. We have a lot to share with you.

Numbers

In this edition we focus mostly on numbers. We've made some changes to the investment options for the Top-Up Account to give you more choice (see page 4).

We also have the results of the latest financial review of the Plan. The recent market conditions have been difficult and although the financial position of the Plan had improved in 2011, unfortunately it has worsened in 2012. We explain the reasons for this and the Company's plan to remove the Plan's remaining funding shortfall on page 6.

Your Trustee Directors

There have been a number of changes to the group who look after the Plan – including a change to our title. We are now referred to as Trustee Directors instead of Trustees. To find out why and what this means for members read 'Behind the scenes' on page 3.

Your annual benefit statements

If you're an active member of the Plan your latest benefit statement will be enclosed with this newsletter. Take some time to check how much you have built up in the Plan.

Those of you with Top-Up Account membership will notice that the estimated amount of pension at retirement shown is lower than last year. The amount is lower because the assumptions used to calculate the estimated pension have changed due to government requirements. For more details please contact the Plan Administrators using the contact details on page 10.

What do you think about Pensions News?

We hope you enjoy this latest edition. If you have any feedback on the content please let us know by getting in touch with the Plan Administrators (contact details on page 10).

From the Trustee Directors of the Howden Joinery Pension Plan.



Get in touch if your address has changed

Let us know by contacting the Plan Administrators – contact details are on page 10.

Behind the scenes

Your Trustee Directors

Our role

Our role as Trustee Directors is to make sure the Plan is managed effectively. We work with specialist advisers to ensure it is administered properly and the Plan's money is managed to help us pay benefits when they're due.

Change to Corporate Trustee

On 21 October 2011 we became a corporate Trustee which means we are now referred to as Trustee Directors. The change has been made to improve the efficiency in the way the Board operates. There's no change to the way we work for you – you will still have eight people committed to managing the Plan in members' best interests.

Jargon alert

Member Nominated Directors

These are the Trustee Directors chosen by members of the Plan. By law at least one third of the Trustee Directors have to be nominated by members.



Trustee Director movements

We sent communications over the last few months about some changes to the Member Nominated Directors in the Plan:

- In May 2012 Martin Gray resigned as a Trustee Director.
- Craig Holson and Jim Hanlon's terms as Member Nominated Directors come to an end in September 2012.

This has left us with three Member Nominated Director roles to fill. We followed a fair nomination process to fill these roles. The selection panel were delighted that there were a number of strong candidates for the vacancies. We can confirm the results are as follows:

- Craig and Jim have been re-elected as Member Nominated Directors.
- Charlie Nissen has also been chosen as a Member Nominated Director.

For a full list of the Trustee Directors visit the website www.howdenjoinerypensions.co.uk

We'd like to thank Martin for his commitment during his term as a Trustee Director and wish him all the best.



Top-Up Account investment update

The Top-Up Account is a way of increasing the amount of money you get in retirement. The money you pay into the Top-Up Account is matched by the Company, pound for pound, up to 4% of your pay for Plan 90 members.

We've introduced a new range of investment funds to offer a greater choice of funds you can invest in. The funds will be provided by BlackRock and Standard Life from September 2012. If you're a member of the Top-Up Account you will already have been contacted about the change in funds.

What are the changes?

At the moment we offer the following funds with Legal & General:

- Global Equity 50:50 Index Fund
- Consensus Index Fund
- Over 15 Year Gilt Index Fund
- Cash Fund

We also offer a lifestyle option.

We're extending the range to include the following investment options with BlackRock and Standard Life:

- UK Equities
- Overseas Equities (excluding UK Equity)
- Index-Linked Gilts
- Corporate Bonds
- Property
- Diversified Growth

This gives you more choice of how to invest your Top-Up Account.

We've introduced a new lifestyle option – see page 5.

The Consensus Index Fund will no longer be offered.

About our new fund providers

BlackRock

BlackRock is an independent global investment manager. They manage investments for some of the world's largest pension funds and insurance companies.

Standard Life

Standard Life is a leading provider of long term savings and investments to around 6 million customers worldwide.

Jargon alert



Bonds

These are loans issued by companies, banks and large organisations. At a specified date the owner of the loan is paid a fixed amount of money. A rate of interest is usually paid on the money loaned.

Gilts (government bonds)

These are bonds issued by governments. Fixed interest gilts pay a fixed level of interest. Index linked gilts pay a level of interest that moves in line with inflation.

Cash

This includes investments in deposit accounts with building societies or banks.

Equities

Shares in companies. The holders of the shares in a company together own the business. They usually receive a payment from the profits of the business.

Diversified growth fund

This is a fund which invests in a range of different assets. The aim is to provide a long term return which is similar to equities but in the short term the returns do not fluctuate as much as equities. It is also known as the Global Absolute Return Strategies (GARS) Fund.

Property

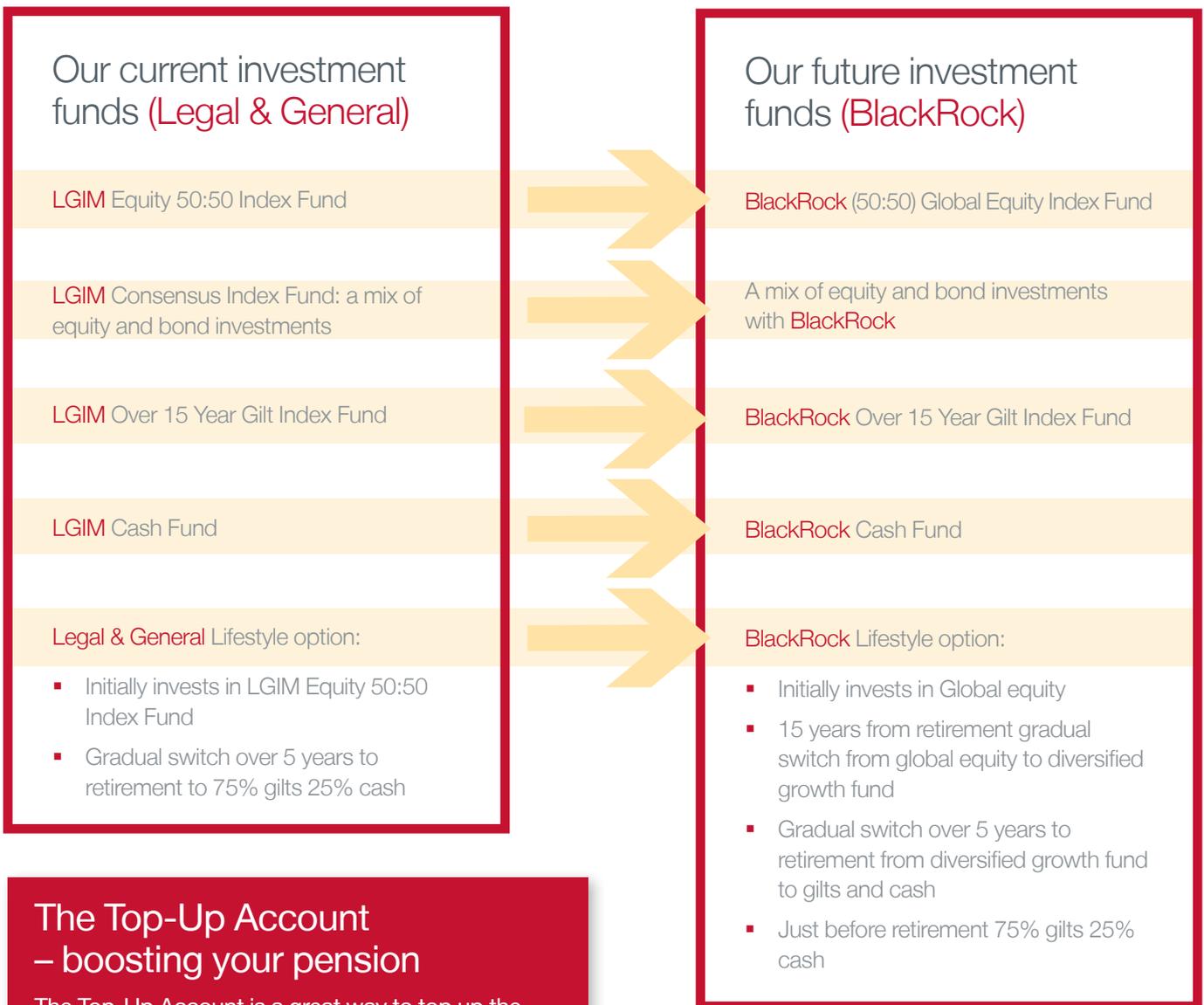
This is usually investment in commercial property such as offices, shops and industrial units.

Lifestyle strategy

This is an investment option for people who don't want to be too involved with their investment choices. A lifestyle strategy invests in higher risk funds like equities at first and gradually moves to less risky investments like bonds and cash the closer a person gets to retirement.

What happens to our existing investments?

If you're a member of the Top-Up Account you will already have been contacted to choose where you want to invest your funds. If you don't make a choice your money in the Top-Up Account will be moved to the equivalent fund with BlackRock as follows in September 2012:



The Top-Up Account – boosting your pension

The Top-Up Account is a great way to top up the amount of pension you build up towards your retirement.

If you are a Plan member and not already contributing to the Top-Up Account you can start doing so at any time.

Get in touch with the Plan Administrators for more information (contact details on page 10).

Please send us your form confirming where you would like your funds to be invested by 31 July 2012.

Note: You can move your existing Legal & General funds into one fund or more of the new BlackRock or Standard Life funds.

The financial review

Every three years the Plan actuary carries out a review of the Plan to determine:

- how much money is **available** to pay pensions; and
- how much is **needed** to pay all pensions.

This review is called an actuarial valuation. The date of the latest actuarial valuation was 5 April 2011 and we now have the results to share with you. We'll compare these to the results of the 5 April 2008 valuation. A further update has been carried out at 5 April 2012 and these details are also given in the table below.

Full valuation / update on	Money available to pay pensions	Money needed to pay all pensions	Shortfall	Funding level
5 April 2008	£516.8 million	£730.4 million	£213.6 million	71%
5 April 2011	£622.2 million	£734.4 million	£112.2 million	85%
5 April 2012	£678.8 million	£963.7 million	£284.9 million	70%

The funding level improved by over 10% from 5 April 2008 to 5 April 2011 which is good news. This is largely due to the additional contributions the Company made to reduce the shortfall.

By 5 April 2012, the funding level had dropped significantly to 70%. This was due to falling gilt yields – which increased the estimated amount of money needed to pay pensions.

How will the shortfall be reduced?

There is some way to go before the Plan's funding level is up to 100%. As part of the valuation discussion the Company has agreed to pay the following contributions:

- 10.1% of Core Plan members' pensionable pay monthly from 1 July 2012.
- From April 2012 to 31 March 2015, the Company will pay £35 million per year but the contribution will be increased or decreased by £10 million per year if the Company's profits come in above or below a certain agreed range.
- From April 2015 to 30 June 2017, the Company will pay £35 million per year.

Note: We can confirm that the Recovery Plan and Schedule of Contributions produced by the Trustee following the actuarial valuation have been submitted to the Pensions Regulator as required.

What would happen if the Company could no longer afford to pay for the Plan?

The Company is fully committed to supporting the Plan.

If however, the Company was not in a position to support the Plan, it would be wound up. If there wasn't enough money to pay members' benefits and the cost couldn't be met by the Company the Pension Protection Fund (PPF) may be able to take over the Plan. The PPF would pay benefits to members up to a certain level. In this unlikely event, we would inform you of your rights and the next course of action. For more information about the PPF go to page 9.

Have there been any payments to the Company?

No.

Jargon explained

Actuary

A financial expert on pension schemes. The actuary estimates whether enough money is held in or is being paid into the Plan to pay pensions when they are due.

Funding level

This is a comparison of how much money the Plan has versus how much it needs to pay pensions, expressed as a percentage. If the Plan had exactly the right amount of money to pay pensions the funding level would be 100%.

What's in the news?

ePA – member online system

Following the change in administrators, we've enrolled in a new system called ePA that will give members access to their personal pension details online. You will be able to access ePA via a link on www.howdenjoinerypensions.co.uk

Login details will be sent in the post as follows:

- For active members early August.
- For pensioner members early September.
- For deferred pensioner members early October.

Once on the system you'll be able to:

- View your personal data and make some changes online.
- Manage your Top-Up Account online.
- View details of your investments in the Top-Up Account.
- Generate retirement and leaver illustrations.
- View how much you have built up in your pension to the date of your latest benefit statement.

Please visit www.howdenjoinerypensions.co.uk to use ePA once you have your login details.

Employee members – change to the life cover limit

The Company recently set a limit on the age it will provide life cover for employees. The limit is 65 or State Pension Age if this is later. This means currently if you're over 65 and still work for the Company you won't be entitled to life cover if you die. This decision has been made by the Company as a result of the removal of the default retirement age. For more information please contact the Pensions Manager, Chris Vaughan using the details on page 10.

Early access to your pension – a warning

The Financial Services Authority (FSA) has issued a warning about firms falsely claiming they can release or unlock cash tax-free early from pensions. The FSA has warned that these schemes could result in people losing a pension they've spent years building up.

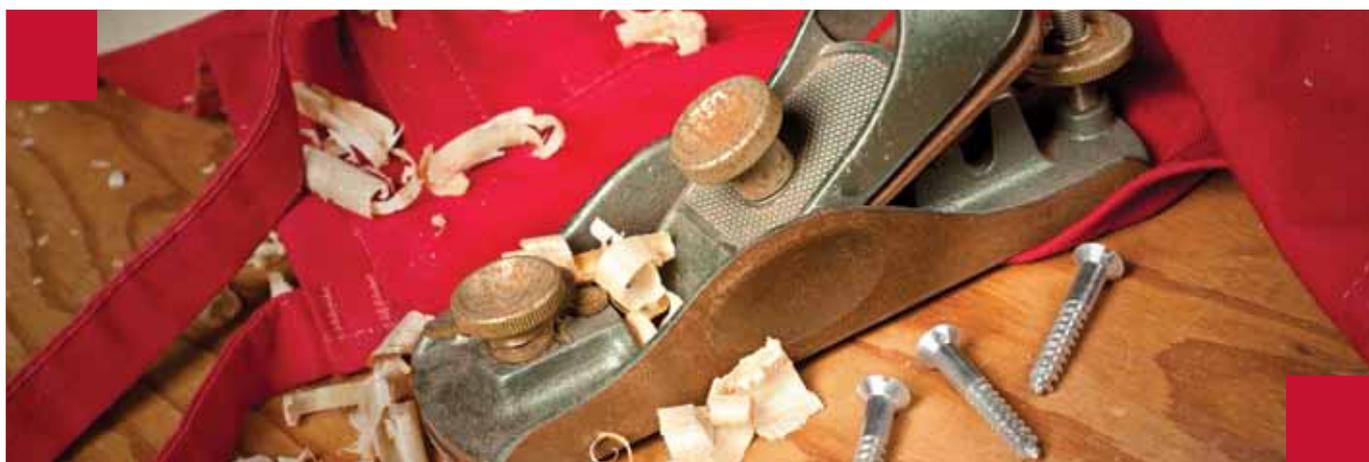
These firms offer:

- To transfer personal pension plans to an overseas bank account.
- To transfer personal pension plans to an alternative provider who will help you invest the money in overseas investments.
- To receive cash from your personal pension plan ahead of your retirement.

Under UK pension law you cannot take your pension benefits earlier than age 55 except in rare circumstances.

Taking your pension early could also result in extra tax charges. Visit the FSA website www.fsa.gov.uk for full details.

Remember to seek financial advice before making any changes to your pension or if you are thinking about leaving the Plan. You can find an independent financial adviser in your area by visiting www.unbiased.co.uk



Automatic enrolment

The Government is making it compulsory in the next few years for all employees to join a pension scheme if they are not already in one. Current Plan members are unaffected by this change as they are, of course, already members of a scheme.

However, for employees who are not a member of the existing Plan, the Company is setting up a new pension scheme in which eligible employees will be automatically enrolled. This will be called 'The Howden Joinery Auto Enrolment Pension Scheme' and will be a defined contribution scheme run by Standard Life. The new scheme will be available from 1 November 2012 for employees to join voluntarily. Employees who are not in the existing Plan or the new Scheme will be automatically enrolled into the new scheme from July 2013.

The company is consulting with active Plan members as it is proposing to close the existing Plan to new joiners from 31 October 2012. The results of the consultation will be provided to the Trustee Directors by the Company by the end of September 2012. Again, it is worth noting that this will not affect existing Plan members.

All current employees will receive communications from the Company about this and regular updates from the Company over the next few months.

Expression of wish form – keeping it up to date

It's important to keep us informed of who you would like to receive your pension benefits if you die whilst a member of the Plan. We've included a copy of the Expression of Wish form so you can update your nominee details if necessary. You can send it to the Plan Administrators using the address on page 10. If you need a new form in the future you can download one from the website www.howdenjoinerypensions.co.uk or update it online via ePA.

If you have already completed a form but notice that the details aren't showing on the ePA system, don't worry. We have printed copies of all completed forms. You can update your details online so that the system reflects your current wishes.

Updating our member records

It's important that our member records are as up to date as possible. To do this we're using tracesmart to help verify the details for all our pensioner and deferred members. Please help us by keeping us informed if you change address.

Update – change to transfer values

Read this if you are a deferred member

Note: this change will only affect deferred members who decide to transfer out of the Plan – any members who remain in the Plan until retirement are unaffected.

You have the option of transferring your pension from the Plan into another arrangement. When your pension is transferred we have to provide what is known as a transfer value. This is the monetary value of your benefits in the Plan.

As is the case with many schemes, our deficit means that, at the moment there isn't enough money to provide the full transfer value for all members. Based on the Plan's current funding position transfer values are being reduced.

If you decide to transfer out of the Plan the maximum amount that you receive will be 81% of the full transfer value.* This reduction does not apply to any Top-Up Account values.

We will monitor this situation and update you when the position changes.

Remember – if you are thinking of making any changes to your pension you should consider contacting an independent financial adviser. You can find an adviser at www.unbiased.co.uk

* The transfer value is worked out individually for each member. The same level of reduction will apply for members who have a divorce sharing order if their ex-spouse transfers out of the Plan.

Requesting a transfer value quotation

You are entitled to request one transfer value quotation from the Plan Administrators free of charge each year. Any quotations requested in addition to this will incur a £150 charge. If you are within 12 months of your normal retirement date the same charge will apply.

Find out more

Pensions online

Here's a list of useful websites. Please let us know if you've found others you think would be helpful for other members.

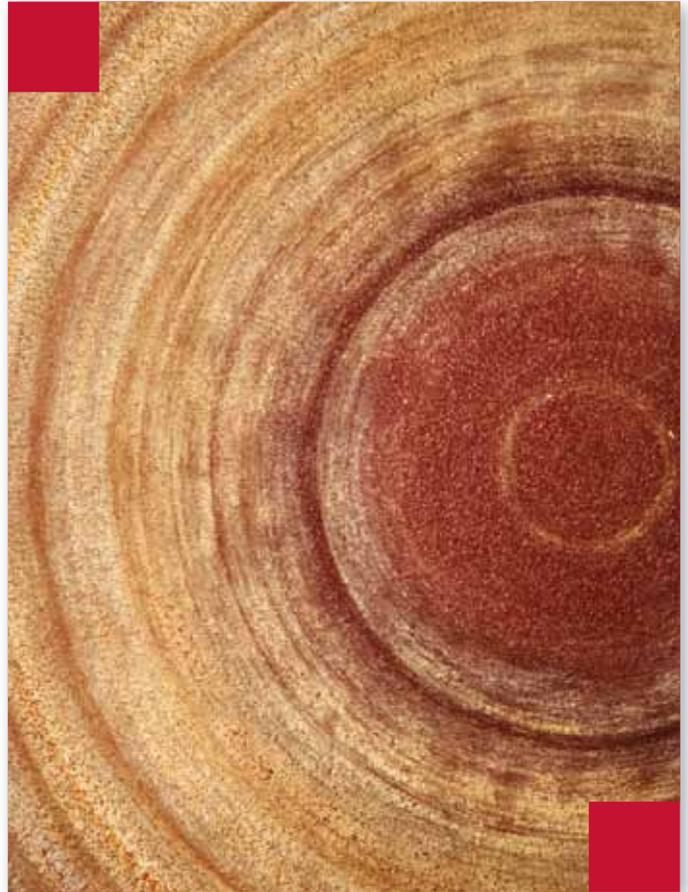
www.howdenjoinerypensions.co.uk A dedicated website for members of the Plan.

www.direct.gov.uk For pensions information click on the pension and retirement planning tab.

www.pensionsregulator.gov.uk The Pensions Regulator is an organisation which protects members' benefits. It works to ensure that all involved in running pension funds fulfil their responsibilities and manage their funds effectively. The Pensions Regulator can intervene in the running of the Plan if it believes this is in members' best interests.

www.pensionprotectionfund.org.uk A compensation scheme set up for members of pension funds. They may be able to top up members' pensions to a certain level if their employer goes out of business and the pension fund doesn't have enough money to pay pensions on its own. Visit the website to find out more.

www.unbiased.co.uk For a list of independent financial advisers in your area.



Documents available on request

[The member booklet and information sheets](#) give an overview of the Howden Joinery Pension Plan.

[The Statement of Investment Principles](#) explains how the Trustee Directors invest the money held by the Plan.

[The Recovery Plan and Schedule of Contributions](#) show what contributions the Trustee Directors and the Company have agreed will be paid into the Plan over the coming years.

[The Annual Report and Accounts of the Plan](#) shows the Plan's income and expenditure in the year up to 5 April 2011.

[The full actuarial valuation report](#) as at 5 April 2011.

[The Recovery Plan](#) agreed at the latest valuation. This sets out the Trustee Directors' policy for funding the Plan.

We're here to help

For any questions you may have:

- about the content of the newsletter;
- for the Trustee Directors; or
- about your pension

you can get in touch by contacting the Plan Administrators:



Howden Joinery Pension Plan
c/o Towers Watson Ltd
PO Box 545
Redhill
Surrey RH1 1YX



01707 607616



howdenjoinerypensions@towerswatson.com

You can also contact Chris Vaughan, the Pensions Manager:



Howden Joinery
International House
1st Floor
66 Chiltern Street
London
W1U 4JT





Expression of Wish form

The purpose of this form is to allow you to record who you would like the Trustee Directors to consider for the receipt of any benefits payable in the event of your death. We suggest that you keep a copy of the completed form for your records. Please return this form to:

✉ Howden Joinery Pensions Manager
International House, 1st Floor, 66 Chiltern Street, London W1U 4JT

Personal details

Full name:

National Insurance number: Date of birth:

Employee number:

In the event of my death I would like the Trustee Directors to consider paying any lump sum arising from my membership of the Plan, for the benefit of the following person(s), in the proportion(s) shown:

Full name:	<input type="text"/>	
Address:	<input type="text"/>	
Relationship:	<input type="text"/>	Proportion %: <input type="text"/>

1

Full name:	<input type="text"/>	
Address:	<input type="text"/>	
Relationship:	<input type="text"/>	Proportion %: <input type="text"/>

2

Full name:	<input type="text"/>	
Address:	<input type="text"/>	
Relationship:	<input type="text"/>	Proportion %: <input type="text"/>

3

Total: 100%

I understand that this Expression of Wish form is not binding on the Trustee Directors and that the Trustee Directors have total discretion in applying any lump sum benefits under the Plan.

Signature: Date:

Note: Trustee Directors have discretion over whom your benefits are paid to, because of this benefits are normally free from Inheritance Tax under current legislation.

