Howden Joinery
Pension Plan

Pensions News

September 2016

Welcome to the September edition of Pensions News

A lot has happened since we sent our last newsletter to you! As you will be aware, since the Brexit referendum in June, the political and economic landscape in the UK has changed significantly. In light of these changes, in this edition we tell you what this means for the Plan.

In addition, we'll give you an update on the Plan's finances more generally. We'll share with you the figures from the latest financial review and also give you an update on the Plan's accounts.

If you have any questions or would like to know more about any of the points that we bring up, please see the 'Useful websites' on page 8. Or alternatively, you can get in touch with us using the details that are on the same page.

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Relevant for all members:

Results of the MND election

This year, the terms for two of the Scheme's Member Nominated Trustee Directors (MNDs) came to an end. Charlie Nissen has applied for re-election and we are very pleased to confirm that he will be reappointed for another term. His valuable expertise and experience will continue to make him a strong asset to the Trustee board.

Craig Holson has decided not to apply for re-election due to new work commitments in Europe. We would like to whole-heartedly thank Craig for all the hard work he has done for us as a Trustee Director, and wish him all the best for the future.

We were pleased to receive a number of applications from high-calibre candidates and following interviews held in August we are pleased to let you know that Tony Cooper will be joining the Trustee board. Many of you may know Tony, he has worked for the group for over 20 years, most recently in the Internal Audit and Risk Management Department and is regularly seen around different parts of the business.

Relevant for members paying into the Top-Up Account:

Message from the Trustee Directors

The Pensions Regulator wants to make sure that all Trustees of defined contribution pension arrangements (like the Top-Up Account) can demonstrate that they manage their pension arrangement properly and share details with you of what they are doing to make this happen.

The good news is that we already do the key things that the Pensions Regulator is keen to see. Here's a summary:

1. We regularly review investment options in the Top-Up Account to make sure that they're suited to you. For example, we:
   - Updated the Lifestyle Option (where most of you are invested – you may remember us letting you know about this last year).
   - Introduced new funds for those of you who want to take income drawdown or annuity options when you retire.
2. We communicate with you regularly to make you aware of any changes to the Top-Up Account that could affect you:
   - We send out regular newsletters each year to keep you up to date with general news.
   - We issued a special communication to you in April 2015, letting you know about the new choices you had when it came to your retirement options (i.e. the freedom to transfer your fund and use income drawdown instead of buying an annuity if you wanted, or take your whole fund as a cash lump sum).
   - We have also recently updated the information packs we send you when you're about to retire to make sure you have the latest guidance on the options available to you.
3. We make sure the Plan administration runs smoothly. We review the service we receive from the Plan Administrators and also regularly review the funds.

Value for money from your Top-Up Account

You pay certain fees for your Top-Up Account, and the Pensions Regulator is also keen to make sure that you get value for money for those fees. With the help of our investment advisers, we have assessed the following key areas of our service to make sure you get value for money:

- Member communication and engagement (including support when you retire).
- The range of investment options we make available to you.
- The flexibility available in the way you can make contributions.
- Quality of administration.
- Making sure that we manage the Plan in your best interests.

We still have work to do to review the costs incurred within the funds we offer, but we're very pleased to let you know that the assessment so far has confirmed that the Top-Up Account is providing value for members and we are satisfied everything is well run.

How do you think we do?

These newsletters are designed to be as helpful to our members as possible. Help us to make it even better by letting us know what you think.

Please see our details on the back page to get in touch. We look forward to hearing from you!

Who is the Pensions Regulator?

An organisation that works with trustees like us to make sure that we understand what is required from us in our role.

Find out more

If you'd like to read the full Chair's Statement (which includes a summary of the fees you pay for your Top-Up Account and the training we take for our role as Trustee Directors), you can request a copy of the full report and accounts from the Plan Administrators, using the contact details on the back page.

What's in the news?

Relevant for all members: Brexit – what it means for the Plan

As was predicted before the EU (Brexit) Referendum, the British economy has been affected and the value of the pound has decreased significantly. However, we would stress that it is still very early days and the long-term impact is difficult to predict. As a reminder, the value of investments does fluctuate on a daily basis but, as a pension fund, we invest the Plan's assets with a long-term view so expect to ride out any ups and downs. We are continually monitoring things and, as part of the ongoing investment strategy review, have restructured part of the fund to invest in government bonds and a UK property debt fund. The wide range of assets held by the Plan aims to mitigate the impact of falls in particular markets, so that even if one fund performs badly, another may compensate and therefore balance the risk. Following the Brexit decision, the Trustee Directors consulted their advisers and reviewed the position but agreed that no further action was required at this stage.

Quick Budget 2016 recap

Relevant for active and deferred members: Do you need protection?

Recent changes to the lifetime allowance

In our last newsletter, you may remember us letting you know about changes to the lifetime allowance. If you have been affected by the change, there is protection available if the value of your benefits is over the new lifetime allowance.

From 8 July 2016, if you want to protect your pension savings from the lifetime allowance charge (for individual protection 2016 [IP16] or fixed protection 2016 [FP16] – these are explained online, see below) you must apply online.

How to apply:

First, if you don't already have an account, you'll need to create one with HMRC Online Services www.gov.uk/log-in-register-hmrc-online-services. You may already be registered as it's the same service as self-assessment, but if not, you'll need to allow extra time for your password to be sent to you.

You can access the online lifetime allowance application service at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance. The website also offers more guidance about the different types of protection, if you would like to find out more.

If your application is successful, you'll be able to view your protection details in your HMRC Online Services Account – HMRC are unable to send you paper certificates.

Note: If your interim paper-based application was received before 31 July 2016, you'll be issued with a temporary protection number. You will then need to go online (following the steps above) to get a permanent protection number.

Other types of lifetime allowance protection

If you already have primary or enhanced protection, or fixed protection 2012 or fixed protection 2014, your protection remains unaffected.

For more information, please contact the Plan Administrators – details can be found on the back page.

Quick recap: what has changed?

Lifetime allowance: This is the amount you can save towards your pension in your lifetime without incurring a tax charge. Before 6 April 2016, the limit was £1.25 million before additional tax charges were applied. Now this limit has been reduced to £1 million.

Relevant for all members:

Feature : Update from a pensioner

Are you near retirement and want to know whether your expectations will match reality? Or are you just curious to know what your monthly contributions can amount to when you decide to withdraw your retirement income? Either way, it can be helpful to hear from someone who's already taken the plunge.

Brian Clark worked with Howden's from 2003, in a depot in Southampton on the trade counter, in administration, kitchen planning, driving, and in the warehouse – a long and varied career with the Company. We caught up with him in between events as he was glued to the TV watching the Olympics.

Q: When did you retire, and did you spend a long time planning for your retirement?

A: I retired on 11 June 2016. I started planning about a year beforehand, going through the process of making sure everything was in place. You think it's a year away, then it's six months, then suddenly it's time to go.

Q: Did you start putting contributions into your pension from an early age?

A: I'd been in pension arrangements with previous employers and some of these I transferred into the Plan. I joined the Howden Joinery Pension Plan when I joined the Company so had built up several pensions by the time I retired.

Q: Did you make use of any of the new flexible options introduced in April 2015?

A: I had completely forgotten about some money I had paid in additional voluntary contributions (AVCs) to the Top Up Account, so this was a nice surprise! Because of the new flexibilities I was able to take it all as a lump sum with part of it tax free. This was an added bonus and has helped me do a few extra things.

Q: What is the greatest unforeseen challenge you have faced so far since retiring?

A: So far there are none, it's all been good. You worry as it's a big change when you've worked for a company for so long, at first it's like being on holiday, but you take time to adjust and start to enjoy it as a new way of life.

Q: What has been the best part about retiring?

A: Being able to do the things I enjoy. I've always been very keen on boating – sailing and rowing, and being outdoors. I've been coaching kids for a number of years and have been all over the world rowing. I'm off to Bermuda again soon. Now I have the time to be able to do a lot more of this and I'm looking forward to it. I'd like to get more kids involved from an early age.

Q: If you could give current members one tip about retiring, what would it be?

A: Make sure everything is in place and enjoy it. It is frightening at first but it also gives you the opportunity to do the things you want to do.

The Plan's accounts

	£'000s
Fund value as at 5 April 2015	1,034,893

Money in

Contributions	48,568
Transfers into the Plan	52
Net return on investments	15,060
Other income	609
Total money in	**64,289**

Money out

Benefits paid to members	(26,103)
Payments to leavers	(8,691)
Administration expenses	(944)
Other payments	(385)
Total money out	**(36,123)**

Fund value as at 5 April 2016	**1,063,059**

The above fund values include the Top-Up Account values of £21,247 (£20,820 in 2015) (£'000s)

Contributions

The contributions to the Plan come from the following sources.

Core Plan	£'000s
Normal employer and employee contributions	11,596
Extra employer contributions to clear the deficit	35,000
Total contributions to Core Plan	**46,596**

Top-Up Account	£'000s
Total employer and employee contributions paid to Top-Up Account	**1,972**

Total contributions to Core Plan and Top-Up Account	**48,568**

Our members

Since the Plan closed to new members in May 2013, the number of active and deferred members will reduce over time, whilst the pensioner population will grow.

6 April 2015

1,872 Active members

6,448 Deferred members

3,035 Pensioner members

5 April 2016

1,781 Active members

6,226 Deferred members

3,198 Pensioner members

The financial review

Every three years the Plan actuary carries out a review of the Plan to compare how much money is available to pay pensions. This includes the amount needed to pay:

- all pensions that have already been earned; and
- for pensions that will be earned in the future.

This review is called an actuarial valuation. The last actuarial valuation took place on 5 April 2014, and the next one will be due on 5 April 2017. The Plan actuary also produces a report each year on how the Plan's funding level is progressing in between valuations. Last year we provided you with the results of the 5 April 2015 annual update. We now also have the results of the 5 April 2016 update and both are shown below.

Full valuation on	Money available to pay pensions	Money needed to pay all pensions	Shortfall	Funding level
5 April 2014	£838.8 million	£950.8 million	£112.0 million	88%

Annual update	Money available to pay pensions	Money needed to pay all pensions	Shortfall	Funding level
5 April 2015	£1,014.1 million	£1,224.1 million	£210.0 million	83%
5 April 2016	£1,041.8 million	£1,243,2 million	£201.4 million	84%

Since the date of the last annual update, the money in the Plan has increased due to contributions paid and strong investment returns over the year. However, this was partially offset by the increase in the amount needed to pay all pensions, which was mainly due to the continued fall in gilt yields since the last annual update. However, as you can see, the overall deficit in the Plan has decreased slightly over the year since 5 April 2015.

Since 5 April 2015 we have had the EU Referendum vote and actions by the Bank of England, both of which have led to reducing long-term interest rates and expected returns on other assets. This will have increased the cost of providing Plan benefits and hence the Plan's funding level will now be lower. We will update you again in 2017.

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

The Company is fully committed to supporting the Plan. However, legally, we have to let you know what would happen if the Company was unable to continue supporting the Plan.

If this was to happen, then the Plan would be wound up. If this had happened at 5 April 2016, 53% of members' pensions would have been covered by the Plan's investments (compared to 60% as at 5 April 2014).

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. The funding level is a key issue for the Plan at present and the ongoing support we receive from the Company is very important.

Useful websites

If you'd like to find out more about the Plan, or the world of pensions, you may find the websites below useful:

https://epa.towerswatson.com – log in to the ePA website to view your Plan details. If you have forgotten your log in details, please contact the Plan Administrators using the contact details below.

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

www.gov.uk – here you can find more information about the State Pension, finding lost pensions, and much more.

www.moneyadviceservice.org.uk – visit the Money Advice Service website for tips on retirement and financial planning.

www.unbiased.co.uk – this website provides a list of financial advisers who are local to you.

www.pensionwise.gov.uk – Pension Wise is a free and impartial service provided by the Government to help you understand what your retirement choices are.

We're here to help

You can get in touch with the Plan Administrators for any questions you may have:

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

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