Howden Joinery
Pension Plan

December 2017

Pensions News

In this edition

Keeping track of our members is important to us, and to you. We may not be able to pay you your pension when it is due if we can't find you. Please check your details and inform us if you move house.

Welcome to the December edition of Pension News

Pensions News is where we update you on Plan news, as well as wider topics which affect the Plan. Here's a quick summary:

There was a change to the Trustee board with Jim Smart resigning as an independent Trustee from 30 September 2017. We welcome Chris Martin to the Board. Chris is Managing Director of Independent Trustee Services Ltd. Further details about him and the other Trustee Directors are available on the website.

We have also had a change in our Scheme Actuary appointment. Tim Boden retired from Aon Hewitt in September and we have appointed Lynda Whitney in his place. She and the team are currently busy working on the Plan valuation; details are given on page 5.

We've also introduced a new Diversified Growth Fund for the Top-Up Account. Details are available in your Top-Up Account booklet.

As far as the wider world of pensions is concerned, you may have read that the Government has brought forward plans to raise the State Pension age for people born between 1970 and 1978. You can read more on this inside, as well as other news which affects the Plan.

As usual, we'll also give you an update on the Plan's finances. An actuarial valuation is currently taking place so we'll give you a recap of figures from the latest financial review and also give you an update on the Plan's accounts.

In addition, we take our data security responsibilities very seriously and ensure any data we hold on you is kept secure. A statement outlining our data protection policy is provided on page 6.

What's in the news?

The State Pension age is rising!

The Government has announced its intention to raise the State Pension age to 68 by 2039, seven years earlier than planned. Benefits in the Core Plan are also paid from State Pension age.

This means that if you were born between 6 April 1970 and 5 April 1978, under the proposed new timetable you would have to wait up to a year longer (depending on your date of birth) before you could claim your State Pension. If you were born after 5 April 1978, your State Pension age remains 68.

If you were born before 6 April 1970, there is no change to the previously announced rise in the State Pension age to 65, 66 or 67 depending on your date of birth.

These changes do not affect you if you are already receiving your State Pension.

Retirement options – a reminder

In April 2015 we introduced more flexibility to the way you can draw your pension benefits. If you are over age 55 and have pension built up before 2006, pension built up after 2006 and/or a Top-up account, each of these elements can be taken separately. This could mean, for example, you take your Plan pension and a tax free lump sum, but leave your Top-up account invested and take this at a later date.

If you take your pension before your Normal Retirement Age it will be reduced for early payment. Full details can be provided by the Plan administrators.

You also have the option at any time after you have stopped contributing to the Plan, but before taking your pension, to take a transfer value to an alternative arrangement. Your benefits would then be converted to a defined contribution (DC) pension pot and you would be able to make use of the flexibility options set out on the right.

Flexibility at retirement – two years on

Until recently, how you used your defined contribution (DC) pension pot at retirement was tightly controlled. Broadly speaking you could take all your DC pension pot as income by buying a pension annuity policy or take up to 25% as a tax-free lump sum and use the balance to buy a pension.

In April 2015, the Government swept away many of these restrictions, giving DC pension scheme members greater flexibility and choice at retirement, including the ability to draw down regular one-off lump sums rather than commit to buying an annuity policy. Annuity policies can pay an income for life in exchange for a one-off lump sum but in recent years they have become increasingly expensive to buy.

In July, the Financial Conduct Authority (FCA) published its interim findings on how people have been taking their retirement benefits since 2015. What they found was that while many people are taking advantage of the greater flexibility by taking some, or all, of their DC pension pot as a lump sum, they are increasingly doing so without seeking financial advice.

Getting the right advice is important because any lump sums you take over and above the tax-free allowance of 25% of your pension pot is added to your income for tax purposes. If you are still working or have other pension income this could push you into a higher tax bracket. And of course, you need to make sure that you don't run out of money during your lifetime by making sure you manage the amount you take out each year and how the balance is invested.

The Office for National Statistics has a useful tool on its website which you can use to work out how long you are likely to need your pension to last. Why not give it a try? **visual.ons.gov.uk/how-long-will-my-pension-need-to-last**

What's in the news?

Warning: Are you transferring your money to a legitimate company?

Please be very careful if you are approached by a company which claims that to help you withdraw your pension fund early. Taking money earlier than age 55 will leave you with a large tax bill and the remaining money may then be kept by these companies.

Read more on the Pensions Regulator's website at **www.tpr.gov.uk/pension-scams**.

This includes five steps to protect your pension:

- Be wary of cold calls and unsolicited texts or emails.
- Check everything for yourself.
- Steer clear of overseas investment deals.
- Don't fall for 'guaranteed' returns or professional looking websites or brochures.
- Don't be rushed into a decision.

Did you know?

If you are receiving a small pension from the Plan (around £50 per month or less), you may be able to take its whole value as a cash lump sum. This is called 'trivial commutation'. Under these circumstances, the first 25% of the lump sum is paid tax-free and the rest is taxed at your marginal rate. We will be contacting members this may be applicable to shortly but if you are interested in more information please contact the Plan administrators.

Relevant only for members contributing to Top-up

Changes to the Money Purchase Annual Allowance

If you have money purchase pension savings in a registered pension scheme (for example if you're paying into the Top-up Account or have a Personal Pension) and you flexibly access these savings (for example by taking them as a one-off cash lump sum or accessing a drawdown facility) you will be subject to the Money Purchase Annual Allowance.

If you are subject to the Money Purchase Annual Allowance, the maximum money purchase pension savings you can have each year that benefit from tax relief is £4,000 (expected to apply retrospectively from 6 April 2017, although Parliament has not yet formally approved this). If you are subject to the Money Purchase Annual Allowance, then any future defined benefit pension savings (for example, your main Fund benefit) will be subject to an alternative annual allowance (this will be the amount of the annual allowance minus the amount of the Money Purchase Annual Allowance).

This can impact you if, for example, you decided to "cash in" an old Personal Pension policy and then increase contributions to the Top-up Account. You are recommended to take financial advice before taking your pension benefits.

Top-Up account: DC Chair statement overview

Message from the Trustee Directors

Trustees of defined contribution pension arrangements (like our Top-Up Account) must demonstrate to the Pensions Regulator that they are managing the arrangements properly. Part of this includes sharing with you what we are doing to make sure this happens.

Of course, we already see keeping you up-to-date as an important part of our role as Trustee Directors. Nevertheless, there's certainly no harm in recapping our roles in order to help explain our recent work. We are responsible for:

- providing an excellent standard of service to members and beneficiaries,
- providing security over members' funds,
- maximising benefit outcomes for members and beneficiaries, and
- providing a suitable governance structure which ensures compliance with legal and regulatory requirements.

In terms of the actual running of the scheme, we look at three main areas of Plan Governance: Investment Strategy, Member Communications and Plan Administration. We use sub-committees to oversee different areas of the Plan's operations, and we also lean on Howden Joinery's in-house Pensions Team for technical and operational support.

Here's a quick overview of our recent work in each area:

- Within Investment Strategy, we have reviewed the Diversified Growth Fund which is part of our default Lifestyle Fund, and we have replaced it with a new Diversified Growth Fund which is more fitting for our Plan.
- Within Member Communications, we have sent targeted communications to those members who were within 5 years of their selected retirement age in January 2017 or who are within the 'phasing period' of their lifestyle strategy. (That's members whose funds have been automatically switched to less volatile options as they approach retirement.)
- Within Plan Administration, members continue to receive details of the new flexible options available at retirement.

For more information, please see the full Chairman's Statement which is available in the Plan Report & Accounts..

Protecting the data
we hold about you

Your personal information is collected and processed separately by the Trustee and this will only be processed as part of the management and administration of the Fund (for example to work out your benefits and to make sure we pay these benefits on time) and as permitted by the Data Protection Act 1998. This may include sharing personal data about you with third parties who may process this information on behalf of the Trustee for these same purposes.

This data may include your name, date of birth and contact details (including your address), National Insurance details, proof of identity, details of your spouse/partner, next of kin, dependants, employment details, financial information (including bank details) and any other information you choose to provide. The Trustee may also collect sensitive personal information about you, such as information relating to your health, if necessary.

From time to time your personal information may be processed in other countries, including those outside of the European Economic Area. Where this happens we take reasonable steps to safeguard your personal information.

The regulations surrounding how your data is used, stored and protected is to be further strengthened by new regulations known as GDPR (General Data Protection Regulations). These regulations have been set out by the European Union but the British government has confirmed that it intends to abide by them post-Brexit. The Trustee is working with Howden's legal department to make sure we meet our obligations under the new regulations which come into effect in May 2018 and we will write to update you nearer the time.

If you would like more information on how your data is used, please apply in writing to the Pensions Manager, Howden Joinery Group plc, 40 Portman Square, London, W1H 6LT.

The Plan's accounts

	£'000s
Fund value as at 5 April 2016	1,063,059
Money in	
Contributions	47,771
Transfers into the Plan	10
Net return on investments	179,341
Other income	666
Total money in	**227,788**
Money out	
Benefits paid to members	(26,585)
Payments to leavers	(9,925)
Administration expenses	(861)
Other payments	(336)
Total money out	**(37,707)**
Fund value as at 5 April 2017	**1,253,140**

Contributions

The contributions to the Plan come from the following sources.

Core Plan	£'000s
Normal employer and employee contributions	11,023
Extra employer contributions to clear the deficit	35,000
Total contributions to Core Plan	**46,023**

Top-Up Account	£'000s
Total employer and employee contributions paid to Top-Up Account	**1,748**
Total contributions to Core Plan and Top-Up Account	**47,771**

The fund values include the Top-Up Account values of £26,142,000 (£21,247,000 in 2016).

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 2016

Active members	Deferred members	Pensioner members
1,781	6,226	3,198

6 April 2017

Active members	Deferred members	Pensioner members
1,655	6,069	3,372

The financial review

How we work out what is needed to pay pensions and other benefits

Every three years the Scheme Actuary carries out a financial review of the Plan – known as an actuarial valuation. The Scheme Actuary estimates how much money the Plan might need in the future to pay members' promised benefits and compares this to the amount of money or assets currently held by the Plan. These findings are updated each year in a review of the Plan's finances.

A triennial actuarial valuation, as at 5 April 2017, is currently in progress and the valuation results will be available in 2018. In years during which a full valuation does not take place, the Plan actuary produces a report on how the Plan's funding level is progressing. As a reminder, the results of the last full valuation, on 5 April 2014, and subsequent updates are shown on the right.

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). This is a lower percentage than the figures shown as this is measured on a different set of assumptions (i.e. the cost of buying the benefits with an insurance company).

If there wasn't enough money to pay members' benefits and the Company couldn't meet the cost, 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.

5 April 2014 results

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

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

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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