Hanson Industrial Pension Scheme (HIPS) Defined Contribution

Your Pensions Update

Inside…

Your Pensions Update
Issue 01 | December 2014

The Hanson Industrial Pension Scheme (HIPS) newsletter

Welcome to the first newsletter from the Trustees of the Hanson Industrial Pension Scheme (HIPS). We hope you find it useful and like the new look and feel of this newsletter. Please let us know what you think about it and feel free to suggest topics for future newsletters.

The Trustee Board continues to monitor the investment options available to members of the Scheme, which is increasingly important in the current economic climate. This has resulted in a review of the investment options available to Scheme members. As a result of this review, we have made some changes to our Lifestyle investment strategies. It is important that you understand these changes, review your current contributions and investments and ensure that they continue to be appropriate. In addition to the Investment Guide that we have recently updated, we have also provided an overview of the changes on page 8 of this newsletter. Please read this carefully.

This year, we have made an important change to the way your Defined Contribution (DC) Scheme is administered. We have now transferred this to a third party, Capita Employee Benefits, who will manage the running of the Scheme and should be your main contact if you have any queries about the Scheme or your specific benefits. Their contact details are on the back page.

There has been an increasing amount of news and updates in the pensions world during 2014 and information on the developments have been highlighted in this newsletter, particularly around the impact of the changes to pension saving, announced in the Budget in March and July of this year.

Finally, you will see on page 3 that we have had a number of changes to the Trustee Board in the last 12 months. Helen Mayfield and Russell Stimson have been re-appointed in their roles as Member Nominated Trustees and Andrew Taylor was elected to replace John Hopkins who resigned in June 2014. On behalf of all members of the Hanson Industrial Pension Scheme, I would like to thank John for his hard work and commitment to the Scheme and wish Andrew all the best in his new role as Trustee.

Yours sincerely,

Graham Wardle
Chairman of the Trustees

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Your Trustees & Advisors

There have been some changes to the Trustee Board over the last 12 months. Shortly after the year end, members were invited to make nominations to fill the three existing Member Nominated Director roles, following the existing terms of office coming to an end. Your current Trustee Directors, together with new additions and resignations are listed below:

Company appointed	Member nominated
Graham Wardle* BESTrustees plc (Chairman) (appointed on 01/08/2013) Replaced Capital Cranfield Pension Trustees Ltd (resigned on 31/07/2013)	John Hopkins (resigned 25/06/2014)
Marc Boone	Helen Mayfield
Roger Tyson	Russell Stimson
Clare Mayo (appointed 27/03/2013)	Andy Taylor (nominated 25/06/2014)
James Claydon (appointed 27/03/2013)	
Stephen Harrison (resigned 31/01/2014)	
Brian Charleton (appointed 26/03/2014)	

* independent professional Trustee

Scheme Advisors

Scheme Actuary	Richard Whitelam, FIA – Aon Hewitt
Scheme Administrator	Capita Employee Benefits
Auditor	Ernst & Young LLP
Banker	National Westminster Bank
Solicitors	Travers Smith LLP Pinsent Masons LLP
Defined Contribution (DC) Provider	Fidelity
Investment Managers	BlackRock Advisers (UK) Ltd Insight Investment Management (Global) Ltd Aviva Investors Global Services Ltd Legal & General Assurance (Pensions Management) Ltd Standard Life Investments Ltd Baillie Gifford
Investment Advisor	Lane Clark & Peacock LLP
Custodian	JP Morgan Chase Bank N.A
Scheme Secretary	Pi Consulting
Employer Covenant Advisor	Lincoln International Pensions Advisory Limited

Scheme membership

Below you can see the membership of the Scheme, as at 31 December 2013, and how this has changed over a 12-month period.

	Active	Deferred	Pensioners
31 December 2013	4,110	1,034	173
1 January 2013	2,831	925	168

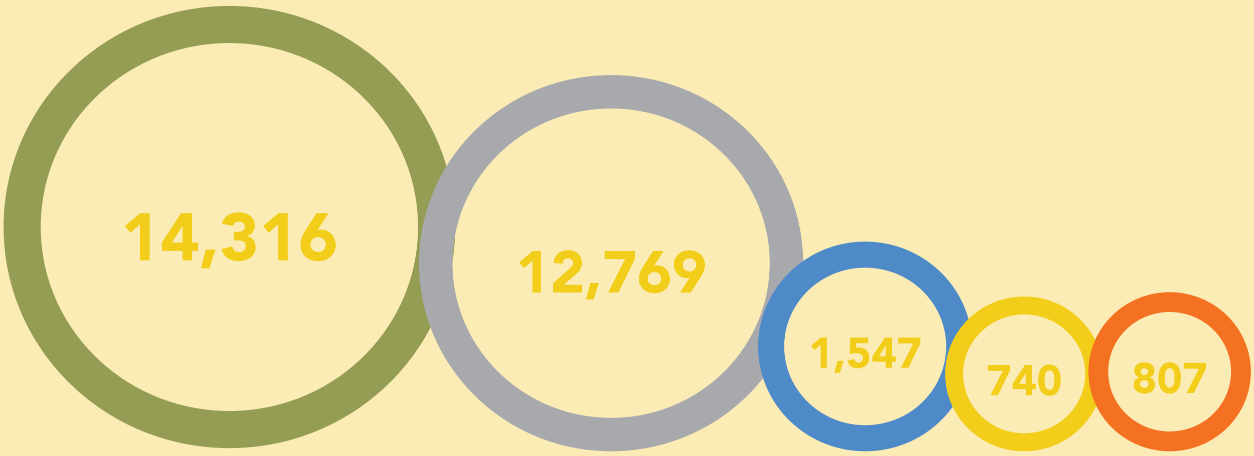
Scheme performance

	£000
Fund value at 1 January 2013	85,820
Paid in	
Employer contributions	11,992
Transfers in	55
Member contributions	5,439
Paid out	
Lump sum retirement benefits	(901)
Annuity purchase	(839)
Death benefits	(989)
Leavers benefits	(1,067)
Administration expenses	(272)
Transfers between Sections	(804)
Investment returns	15,809
Change in fund value	28,423
Fund value at 31 December 2013	**114,243**

An introduction to Capita: Your new Scheme administrator

In 2013 we transferred administration of the Scheme to Capita Employee Benefits, one of the largest employee benefits consultancies in the UK.

Following the transfer a large volume of casework built up due to higher than expected complexities and volumes. As a result some enquiries have taken longer than expected to complete, but the backlog of work has now been resolved. Here are a few statistics* illustrating the work carried out since Capita took over the administration of the Scheme on 3 June 2013.



- 14,316 cases have been created
- 12,769 cases have been completed
- 1,547 of these cases are currently open
- 740 have been processed
- 807 are currently being processed

* These statistics cover both the Defined Benefit (DB) and DC sections of the Scheme.

Capita and Hanson are aware of the frustrations experienced by some HIPS members with outstanding queries. James Chilton, of Capita Employee Benefits, has answered some of your frequently asked questions below, which we hope will provide members with more clarity and reassure you that we have processes in place to address your issues as quickly as possible.

Why has a backlog of work developed?

There are a number of reasons that member caseload has increased recently:

- **Auto-enrolment**
  Since the introduction of the workplace pension scheme, ensuring that all employees have access to a workplace pension at retirement, the HIPS has seen an additional 1,497 new members join the Scheme. This continues to increase as the number of new starters to Hanson increases.
- **Complex calculations**
  The HIPS is a large and complex scheme with over 27,500 members (including Defined Benefit (DB) members). As a result there are a number of different calculations that have to be made, dependent on the nature of the enquiry and which section of the Scheme you belonged to historically. It is critical that these calculations are carried out correctly in order to provide you with the correct information. Due to the historical complexities of the Scheme, these can be time consuming and have, on certain occasions, resulted in delays to members.

- **Data quality**
  All data used by the administration team to calculate benefits has been reviewed and a referral made to the member's historical file to ensure all data is correct. This has resulted in an increase in the time each case takes to complete.

How will the existing casework be prioritised?

Whilst managing high volumes of casework, it is important that work is prioritised based on importance rather than Service Level Agreement (SLA) alone, therefore priority is currently being given to:

- Retirement Quotations
- Members into Payment
- Death cases
- Investment related activity.

Have you made any process changes to the way you work to reduce the outstanding work more efficiently?

Yes. In order to achieve this goal we have identified a number of areas where work can be targeted outside of the Administration team and where work within the Administration team can be approached differently, delivering the same end results but with a reduced case turnaround time. This has resulted in the number of open cases currently being at its lowest point in the last 12 months. Also casework is now being completed at a greater rate than new casework is being received.

For the future, the Scheme is also investing in a significant cleanse of data and automation of processes. This will lead to more reliable electronic member data, will allow Capita to automate certain calculations and give you direct access to much greater functionality on the Scheme website.

When will the level of casework be at a more manageable level?

There is every indication that the high volumes of casework will continue for the foreseeable future. However by implementing the changes outlined above, we expect the time required to complete each case to continue to reduce.

The data cleanse and automation projects are due to be completed the end of 2015 and this will further increase the speed and efficiency of dealing with each case.

The Trustees, Company and Capita are continuing to meet monthly to review the casework position, minimise the risk of any further delays and drive towards the future efficiencies. We will continue to keep you informed of any developments.

I'm concerned about an existing case. Who should I contact?

If you wish to speak to an administrator from Capita Employee Benefits about an existing case, you can contact them by:

Phoning: 0845 600 0591

Emailing: Hanson@capita.co.uk

Investment changes

From 14 November 2014, changes were made to the way you can invest your pension contributions. These changes were made following the Budget announcement in March of this year and reflect the increased flexibility you now have in taking your pension at retirement. A reminder of the changes that were announced can be found on page 11. As you now have an increased number of options available to you for taking your benefits at retirement, we want to make sure you have the appropriate investment options available through the scheme.

An overview of the changes

Lifestyle changes

Prior to November, we offered a 'default' Lifestyle strategy, which has now been updated. This is the investment strategy that you were allocated if you did not make a choice when you joined the Scheme. Lifestyle strategies are considered a more 'hands-off' approach to investing compared to using a Self-select strategy. They are pre-set and are usually tailored to maximise investment returns when you are a long way from retirement by investing in funds such as equities, which are considered to be higher risk but provide the potential for higher returns.

As you approach retirement, your funds are gradually switched over a fixed time frame into funds such as cash or bonds, which tend to offer lower returns, but can carry less risk to your pension pot as you approach retirement.

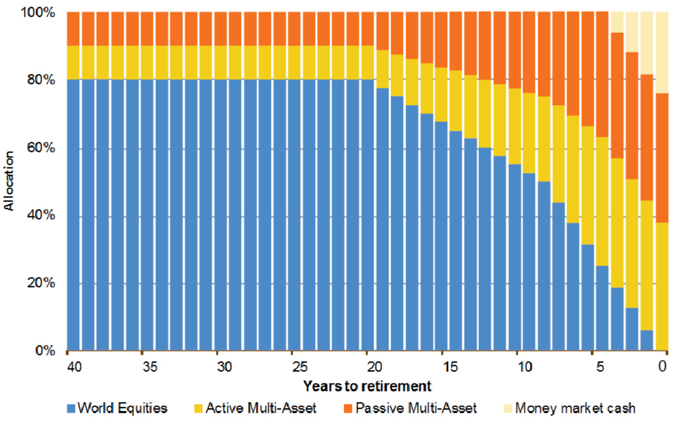
There are now three new lifestyle strategies that are tailored to target different income options in retirement:

HIPS Drawdown Lifestyle – the new default Lifestyle strategy

This is the new 'default' Lifestyle strategy, and is intended for members who want to take 'Income drawdown' at retirement. The fund will not just invest in equities in the growth phase but will also invest in highly diversified funds across a range of different asset classes, such as equities, bonds and property.

'Income drawdown' allows you to leave your pension pot invested when you retire. Each year, you take out some money to support you in retirement, and the rest remains invested. and continues to rise or fall, depending on investment growth and returns.The previous default Lifestyle strategy used to switch your Account into Bonds and Cash to support a more traditional retirement path where a member would take 25% of their fund at retirement as tax free cash with the remainder used to purchase an annuity. This type of strategy is still available for members and is outlined in the HIPS annuity lifestyle section below, but will no longer act as the Scheme's default. With HIPS Drawdown Lifestyle, eight years before retirement, the proportion of your Account invested in the HIPS Passive Diversified Fund, the HIPS Active Diversified Fund and HIPS World Equity Fund will change so that

Drawdown Lifestyle



when you reach four years before you reach your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.

For the final four years before your selected retirement date, your Account will gradually move into the HIPS Money Market Fund, so that when you reach your selected retirement date, 37.5% of your Account will be invested in the HIPS Active Diversified Fund, 37.5% in the HIPS Passive Diversified Fund and 25% in the HIPS Money Market Fund.

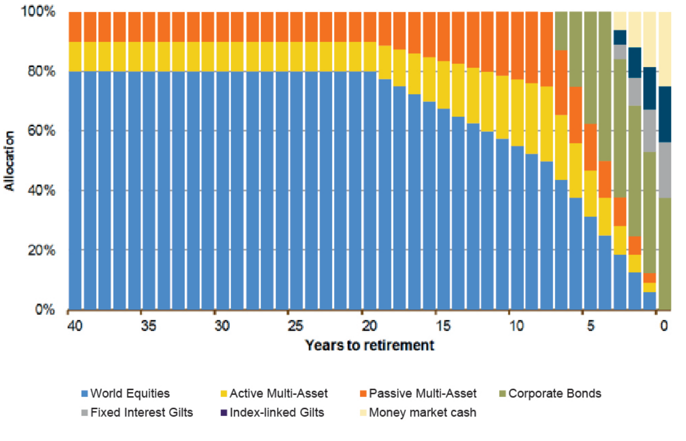
HIPS Annuity Lifestyle

This strategy is intended to provide for members considering buying a pension for life (called an annuity) at retirement. In the early years of investing, your pension pot will be invested in funds which should provide you with a higher chance of better investment returns over the long term. However there is a higher risk with these funds.

Eight years before your selected retirement date, your Account will gradually move into the HIPS Corporate Bonds Fund, so that when you reach four years before your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 12.5% in the HIPS Active Diversified Fund, 12.5% in the HIPS Passive Diversified Fund and 50% in the HIPS Corporate Bonds Fund.

For the final four years before your selected retirement date, your Account will gradually move into the HIPS Fixed Interest Gilts Fund, the HIPS Index-Linked Gilts Fund and the HIPS Money Market Fund, so that when you reach your selected retirement date, 37.5% of your Account

Annuity Lifestyle

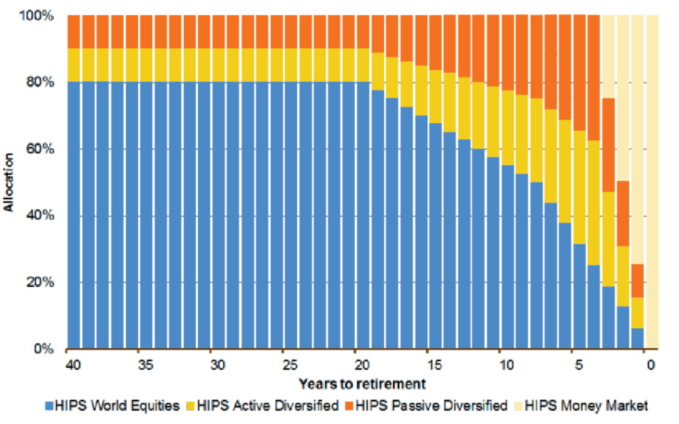


will be invested in the HIPS Corporate Bonds Fund, 18.75% in the HIPS Fixed Interest Gilts Fund, 18.75% in the HIPS Index-Linked Gilts Fund and 25% in the HIPS Money Market Fund. These gradual switches happen in order to protect your pension account as you near retirement. The returns from bonds and cash funds tend to be lower than that of equity funds, however they are usually considered less risky and protect your pension account from any sudden fall in value as you approach retirement.

HIPS Cash Lifestyle

This Lifestyle is intended to provide for members planning to take their whole member Account as cash at retirement. Eight years before your selected retirement date, your Account will continue to gradually move into the HIPS Active Diversified Fund and the HIPS Passive Diversified Fund so that when you reach four years before your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.

Cash Lifestyle



For the final four years before the selected retirement date, your Account will gradually move into the HIPS Money Market Fund, so that when you reach your selected retirement date, your Account will be invested 100% in the HIPS Money Market Fund.

Changes to the Self-select options

With Self-select, you choose what funds to invest in and how much to invest in each fund, and it's up to you to monitor and manage these investments.

We have introduced three new funds to the Self-select options: HIPS Active Diversified Fund, HIPS Passive Diversified Fund and HIPS Corporate Bonds Fund.

The BlackRock Balanced Fund has been replaced with the HIPS Passive Diversified Fund, which invests in a mixture of equities and bonds, as well as overseas bonds, property and corporate bonds – providing more diversification and offering your pension account more protection as you approach retirement. Because of this, the Fund's fees are increasing from 0.155% to 0.169%.

The BlackRock 60:40 Global Equity Fund is changing to the HIPS World Equity Fund. This fund has a higher level of diversification, and aims to provide better returnss, which will also reduce fees from 0.160% to 0.118%.

What do I need to do?

You now have more choice in how you invest your pension, so it's important to think whether your current investments are right for you. Do you want a steady yearly income at retirement, or a cash lump sum or both? If you are happy with how your Account will be invested, you don't need to do anything, but if you decide that another investment option may suit your needs better, log on to www.hartlinkonline.co.uk/hanson and make your choices. By logging on, you can also view the new Member Booklet and Investment Guide, review your Account and see your transaction history.

The Budget has affected the choices you have for income at retirement, so you should plan now how you want to receive it, and choose an investment strategy that will help you do this. Some investments do well in certain economic and market conditions and poorly in others, so spreading your investments can help to reduce the risk that your retirement savings fall significantly due to poor performance.

Scheme news

Budget 2014 changes

There has been a lot in the media recently regarding the Budget changes announced in March and July of this year.

Up until recently, retirement would see the majority of HIPS members use their pension account to purchase an annuity from an insurance company, after taking up to 25% of their fund as a tax free lump sum.

However, the recent Budget unveiled proposals to change this drastically in the future, potentially giving everyone who's retiring the ability to take the whole of their fund as cash (subject to income tax).

Please note that most of the proposed changes are subject to further consultation and will start from April 2015. However, there are some changes that came into force on 27 March 2014 and are happening now such as:

- There is an increase in the limit on small pots that can be taken as a lump sum
- The limit on the amount you can take as a cash lump sum from a small pension pot, also known as 'trivial commutation' has been increased to £30,000 (subject to tax)
- The limits for those taking 'capped drawdown' has increased
- There has been a decrease in the minimum pension required for flexible income drawdown.

Freedom over your pension savings

Up until the Budget announcement, withdrawing money from a DC pension scheme was surrounded by restrictions such as using pension savings to purchase an annuity or other restricted methods such as capped 'drawdown'.

But now pension savers are to be given complete freedom over how they use the money they have saved into their DC pension Account once they reach the minimum retirement age (currently age 55). From next year, you may be able to take all your money in a cash lump sum, continue to buy annuities or anything inbetween. Please note that current tax restrictions will apply to anyone taking their full Account as cash - only the first 25% will be tax free. Anything above this will be taxed at your usual rate.

An annuity provides a continuing pension income for the rest of your life. In some ways buying an annuity is similar to buying any other insurance product, like your car or home insurance, so shopping around can get you a better deal.

You have the right to take your pension pot to any insurer in the market at retirement. Some estimates indicate that you could be up to 30% better off by shopping around. This is known as the Open Market Option and you may wish to take financial advice if you decide to explore this. Our pension advisers, Hargreaves Lansdowne, can offer you a service which does the hard work for you and can compare the pension you could get when you retire from leading providers. Alternatively you could speak to your own financial adviser. You can find details of a financial adviser local to you at **www.unbiased.co.uk**.

Make Retirement Plans Now

Even if you're still some way from retirement, you should still think about what your income at retirement is likely to be and plan ahead. Will it be enough? Is it time to think about increasing contributions or making additional investments or saving elsewhere? When do you want to retire? Don't forget you can use the calculator on our pension website at www.hartlinkonline.co.uk/hanson.

Details of all your options can be found on the Government's website www.gov.uk or at the Money Advice Service website www.moneyadviceservice.org.uk.

Happy birthday, SMART Pensions!

On 1 January this year, we introduced SMART pensions, a smarter way for you to contribute to your pension. SMART is designed to increase a member's take home pay and reduce National Insurance costs.

If you participate in SMART, this means:

You will	Continue to participate in the Hanson Industrial Pension Scheme but will not make normal contributions to the Scheme
Hanson will	Pay an additional amount equal to your normal pension contribution, directly to the Scheme .
Your Gross pay will	Be reduced by the amount that you would otherwise have contributed to the Scheme
Therefore	Your take home pay will increase because you are paying less National Insurance.

Next month will mark a year since we introduced SMART pensions. If you do not yet contribute via SMART pensions and want to find out more, please refer to the information booklet which can be found on our website: www.hanson.com/uk/smart.

Pensions in the news

Pension scams: Don't get stung!

There has been a recent increase in the number of companies sending unsolicited texts or emails, with titles such as 'take out a pension loan', 'unlock your pension', 'pension release' or 'free your frozen pension'.

The claims can be tempting – offering what seems to be an above board way to access part of your pension before age 55, however all is not what it seems. If you are approached about "unlocking your pension" you should be extremely cautious as claims by companies that they can bypass the current legislation are unlikely to be legitimate.

Pension Unlocking

Generally, 'Pension Unlocking' describes the option to take 25% of your fund from the pension at a time prior to retirement. This would usually be an authorised payment (i.e.legitimately not subject to any tax penalty) though members should be aware that there may be some attendant charges and unlocking the pension will likely lead to a lower level of pension benefits during retirement. Therefore, pension unlocking is only suitable for a limited number of people and circumstances and you should always take independent financial advice before deciding if this is right for you.

Pension Liberation – and the Penalties

Pension liberation arrangements typically involve transferring your pension fund from your existing pension scheme to another pension scheme to allow you to access funds before age 55.

Companies making unsolicited approaches may refer to tax loopholes that enable the process. HMRC categorically states that "there is no legal loophole". Pension benefits may be taken before age 55 in a limited number of grandfathered schemes or potentially if life expectancy is less than 12 months. Any other early access can result in significant tax charges - the liability resting with the individual rather than any adviser or pension company.

Pension Liberation schemes generally charge a fee of between 10% and 30% of your fund and what is not usually made clear is that this will not include any taxes payable.

The Pensions Regulator provides the following example of 'Bill':

Pension Liberation; a cautionary tale

- Bill receives a text message asking him if he wants to release money from his pension.
- He finds out he has £28,000 in his former employer's pension scheme and agrees to transfer it to another scheme.
- Because Bill's short of money and wants access to cash quickly, he accepts that he'll lose £10,000 of it in fees to the new pension scheme or adviser. He receives £18,000 and spends it.
- HMRC investigate the transfer and because he's only 42 and has broken the rules by taking his pension early and taking all of it as a lump sum they write and tell him he has to pay a tax charge of £15,400 (55 per cent of the £28,000 paid out of his pension savings).
- Bill must pay the tax charge, not the pension scheme. The tax charge is in addition to the £10,000 Bill has already paid in fees.

A number of companies involved in these practices have gone bankrupt; the individual never receives their payment as the cheque bounces and the amount of their fund ultimately recovered ends up being a lot less than that originally transferred. Sadly in many of these cases the tax charge is still payable by the individual.

Protect Your Pension

A few simple rules are good practice for most financial matters:

- Be wary of anyone offering an unsolicited service, particularly if by text or if using high pressure sales techniques, for example a cash incentive to act now.
- Be aware of who you are dealing with. The Financial Services Register contains details of all regulated companies so check that the entity you are dealing with is on the register www.fsa.gov.uk/register/home.do
- Companies House will also indicate how long the business has been established and where it is registered www.companieshouse.gov.uk. Companies that have only recently come into existence or who are based a long way from your locality may ring alarm bells.
- If in doubt, speak to your Pension Provider. Most Pension Providers have been briefed with regard to Pension Liberation and will look out for this type of activity. If you are suspicious, give them the details of your case, they may be able to put your mind at ease or prevent you from receiving an unexpected bill.

Changes to Annual and Lifetime Allowance

On 6 April 2014, the changes to the Annual and Lifetime Allowances that were announced in December 2012 came into effect. The Annual Allowance has reduced from £50,000 to £40,000 and the Lifetime Allowance has reduced from £1.5 million to £1.25 million.

If you feel you may be impacted by these recent changes, please contact the Scheme Administrator, using the details on the back page.

Death benefits: Is your nomination form up to date?

If you die before drawing your pension from the HIPS , there are valuable benefits payable on Death in Service. Any payments do not form part of your estate and are therefore not subject to inheritance tax.

You can nominate any person or persons to receive this money by completing a nominated beneficiary form. Please note this is only regarded as an expression of wishes and the Trustees do not have to follow it as they have a discretionary power to decide to whom payment should be made. However, the Trustees will take into account any beneficiary on a nomination form when making their decision, so it is worthwhile completing one of these.

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Further information

The world of pensions can be difficult to keep up to date with and rules and regulations are ever changing, particularly in light of this year's Budget announcement. Thankfully there's plenty of helpful websites out there offering support and further information. We've listed some of these below for you. Remember, if you have any specific queries about your pension, you can contact the Scheme Administrator using the contact details at the bottom of this page.

- www.thepensionsregulator.gov.uk
  UK regulator of work-based pension schemes who ensure that schemes are run properly
- http://pluto.moneyadviceservice.org.uk/annuities
  Comparative Tables on pension annuities
- www.moneyadviceservice.org.uk/en
  Government financial guides
- www.thepensionservice.gov.uk
  Information about pensions and pensioner benefits
- www.pensionsadvisoryservice.org.uk
  The Pensions Advisory Service (TPAS) has developed an online annuity planner for members to provide them with information on annuities
- www.unbiased.co.uk
  Help in finding an Independent Financial Adviser

Contacts

If you would like further information about your pension, or the information contained in this newsletter, please contact the Scheme Administrator by:

Writing to:
Hanson Industrial Pension Scheme,
Capita, Hartshead House,
2 Cutlers Gate, Sheffield, S4 7TL

Phoning: 0845 600 0591

Emailing: Hanson@capita.co.uk

And don't forget that you can use the website to check in on your Account and change your contributions:

www.hartlinkonline.co.uk/hanson

Important things to remember

- Your level of contributions to your pension is a key factor in determining the overall size of your pension fund and ultimate pension. You should regularly consider becoming an 'Enhanced' member (if you're not already an Enhanced member) and/or increasing your usual contributions into the Scheme.
- You should regularly review the suitability of your investment fund choices, having regard to your age, personal circumstances and pension aspirations.
- You must notify Capita, our Scheme Administrators, at the address below if you change your personal details; particularly;
  - Your name
  - Your address
  - Your marital status
- You should complete an Expression of Wish form to assist the Trustee in the settlement of any lump sum benefits and pension that may be payable in the event of your death, and regularly review this if your circumstances change. For instance, if you marry or have additional children.
- If you expect to retire sooner or later than age 65 (the Scheme's Normal Retirement Age) you should notify Capita at the address below. This is particularly important if you have opted to invest your fund in the Scheme's lifestyle arrangement.
- You may currently take your pension from age 55. The Government are proposing significant changes in relation to the options available on retirement from April 2015.
- As a member of the Hanson Industrial Pension Scheme you can access your pension details at any time via the following web address; **www.hartlinkonline.co.uk/hanson**

If any of your pension details are incorrect or you would like more information about the Hanson Industrial Pension Scheme, please contact:

The Hanson Administration Team
Capita
2 Cutlers Gate
Sheffield
S4 7TL

Email: hanson@capita.co.uk
Telephone: 0845 600 0591
Web: www.hartlinkonline.co.uk/hanson

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