

Hanson Industrial Pension Scheme (HIPS) Defined Contribution (DC) section



Your Pensions Update



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Your Pensions Update
Issue 3 | February 2017

■ The Hanson Industrial Pension Scheme (HIPS) newsletter

Chairman's welcome

Welcome to the latest members' newsletter.

This year we have continued to work with the administrators of the Scheme, Capita Employee Benefits (Capita), to ensure the data we hold is as accurate as possible and members are able to readily access the information they need.

You are able to help with this by keeping us up to date with your personal details; such as marital status and address and by submitting an expression of wish form. An expression of wish form sets out who you would like to receive any discretionary benefits payable on your death. An expression of wish form cannot be legally binding, but it is a great help to us when we have to make decisions on who receives benefits. You can update your personal details and expression of wish form by logging onto the member website, Hartlink Online (more details of the site available on page 10) or by contacting Capita, their details can be found on page 15.

Following the Government's decision to enable pension schemes to offer more flexibility in the way in which members can take their benefits, we have agreed to enable some members to take their DC account as a lump sum at retirement. Details of who this applies to are given on page 10. Deciding on how to take your benefits at retirement can be a significant decision and we do recommend that you consider taking independent financial advice. Details of how you find a financial adviser are given on page 17.

Jim Claydon retired as a Trustee Director this year and on behalf of the members of the Scheme and the Board I would like to thank him for his contribution to the Board over the years.

We hope you find the information provided in this update helpful but as always if you have any questions please contact the Scheme administrators.

Graham Wardle
Chairman of the Trustees

■ Your Trustee & Advisors

Your current Trustee Directors are listed below:

Company appointed	Member nominated
Graham Wardle (Chairman), representing BESTrustees plc	Helen Mayfield
Marc Boone	Andy Taylor
Brian Charleton	
Clare Mayo	

Jim Claydon retired as a Trustee Director on 30 November 2016. There are no plans to replace Jim as the intention is to retain four company appointed Trustee Directors.

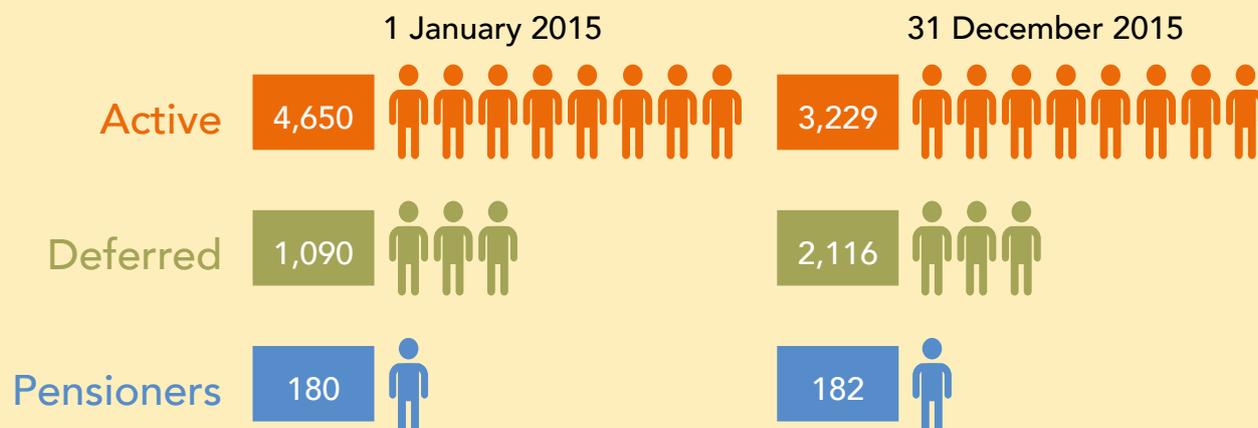
You should feel free to contact any of the Trustee Directors, at any time, if you wish to discuss HIPS matters. However, if your question relates to your individual pension benefits or the administration of the Scheme, you should contact Capita in the first instance (please see page 15 for their contact details).

Scheme Advisers

Scheme Actuary	Richard Whitelam, FIA – Aon Hewitt
Scheme Administrator	Capita Employee Benefits Limited
Auditor	Ernst & Young LLP
Banker	National Westminster Bank
Solicitors	Travers Smith LLP Pinsent Masons LLP
DC Investment Platform Manager	Fidelity Life Insurance Limited
Investment Adviser	Lane Clark & Peacock LLP
Custodian	JP Morgan Chase Bank N.A
Scheme Secretary	Pi Consulting (UK) Ltd

■ Scheme membership

The table below shows the membership of the DC section of the Scheme as at 1 January 2015 and how this changed over the year.



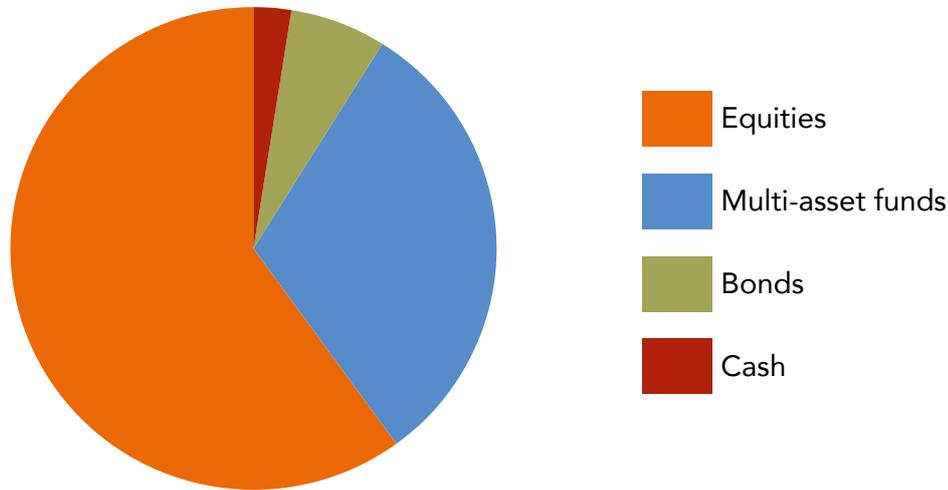
■ Scheme finances

	£000
Fund value at 1 January 2015	135,882
Funds paid in	
Member contributions	4,729
Transfers in	233
Employer contributions	10,995
Total paid in	15,957
Paid out	
Retirement lump sums	(448)
Annuity purchase	(708)
Death benefits	(906)
Leavers benefits	(9,328)
Administration expenses	(383)
Total paid out	(11,773)
Investment returns	4,995
Net change in fund value	9,179
Transfers between sections	(663)
Fund value at 31 December 2015	144,398

■ Investment performance

The investments of the Scheme are managed by the Trustee with the support of their investment adviser and investment managers.

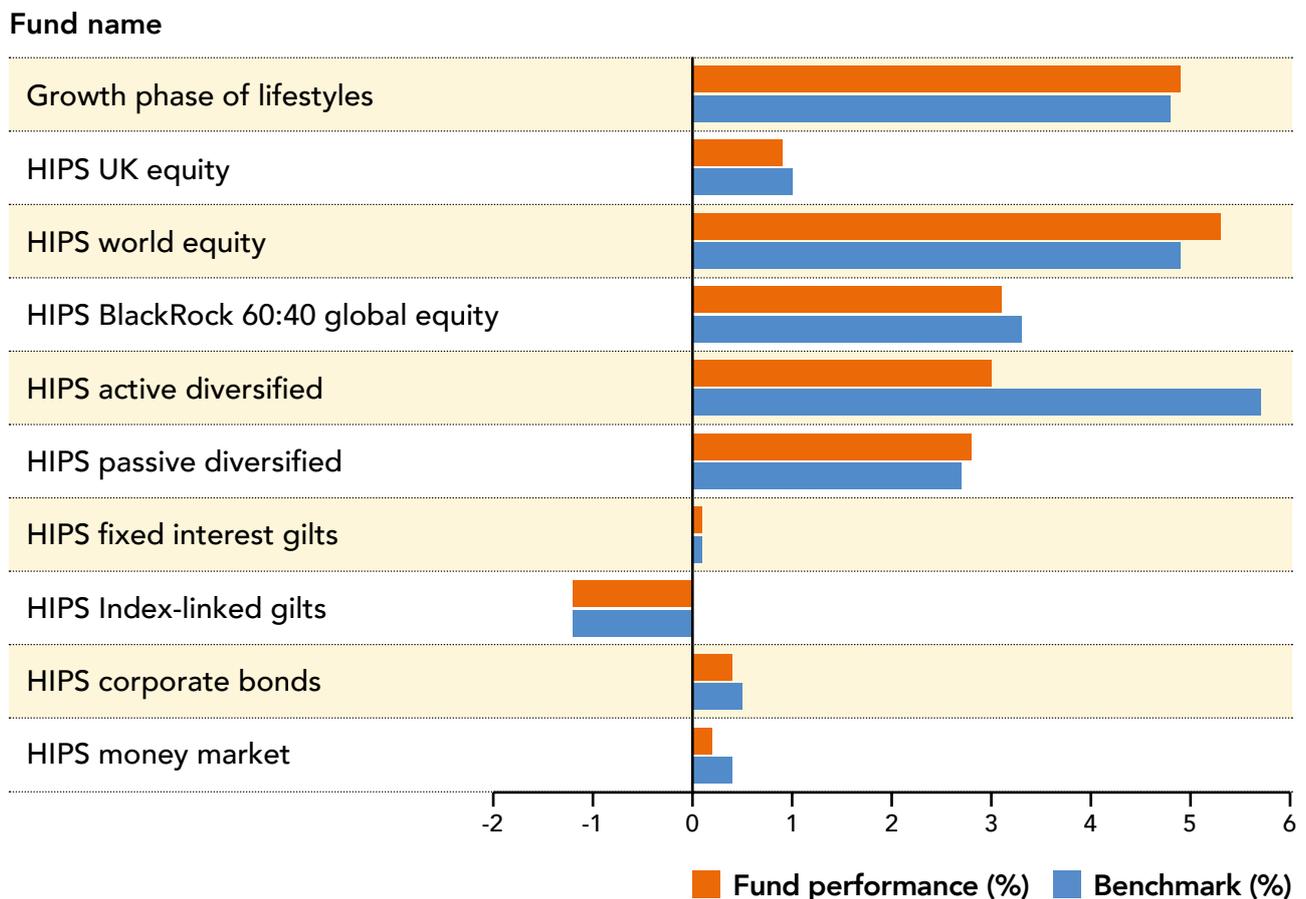
Please see below the total underlying investment for the DC section as at 31 December 2016:



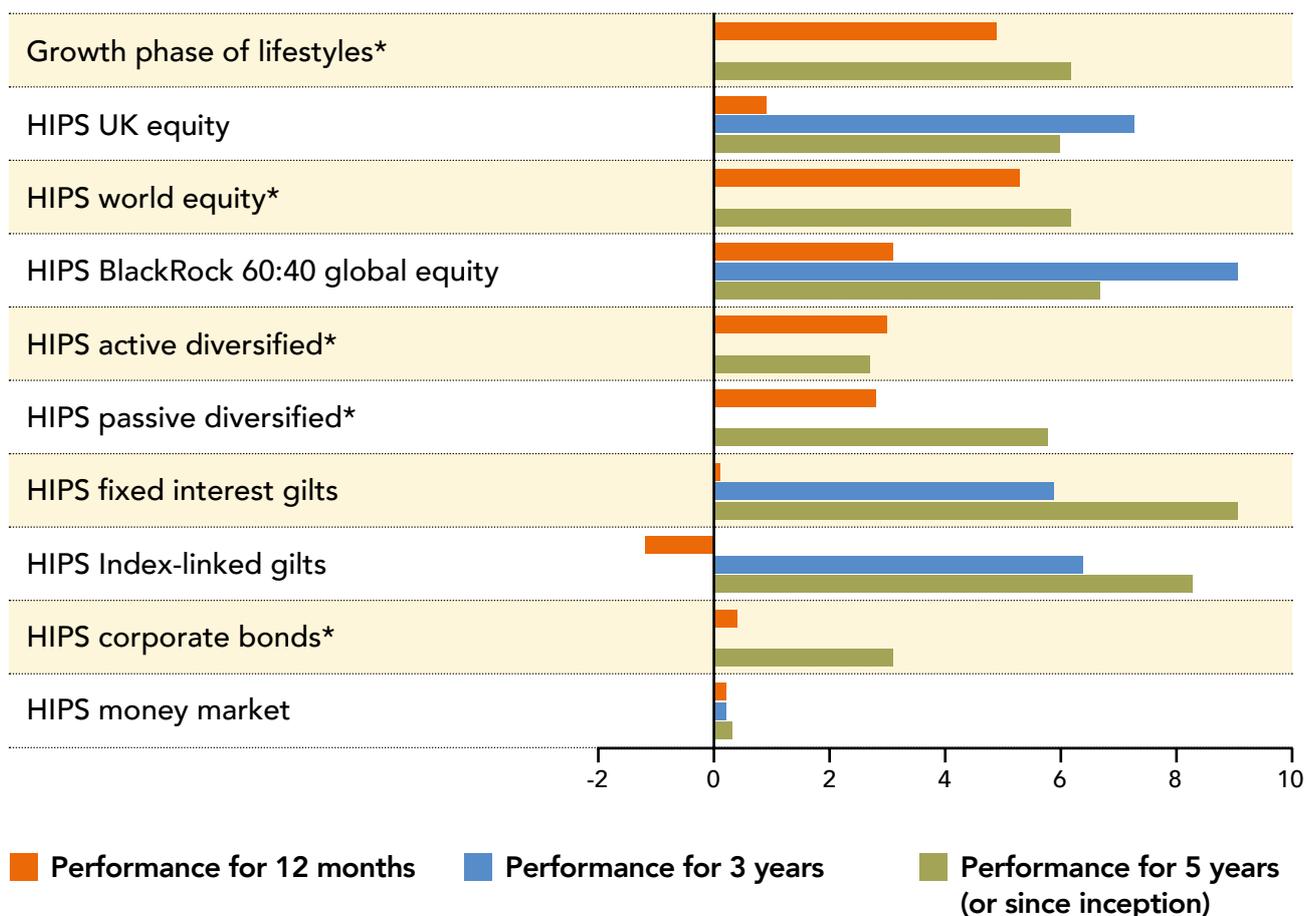
■ Performance so far

The underlying funds in the Scheme have performed well and the Trustee is satisfied that the default lifestyle option for members continues to be suitable and appropriate for the Scheme based on its risk profiles and demographic of the Scheme's membership.

12 month fund performance to 31 December 2015 against the benchmark (%)



Fund name



Funds marked with * had an inception date of 7 November 2014 (when funds moved from BlackRock to Fidelity).

Fund name	Performance for 12 months (%)	Performance for 3 years (%)	Performance for 5 years (or since inception) (%)
"Growth" phase of lifestyles*	4.9	-	6.2
HIPS UK equity	0.9	7.3	6.0
HIPS world equity*	5.3	-	6.2
HIPS BlackRock 60:40 global equity	3.1	9.1	6.7
HIPS active diversified*	3.0	-	2.7
HIPS passive diversified*	2.8	-	5.8
HIPS fixed interest gilts	0.1	5.9	9.1
HIPS index-linked gilts	-1.2	6.4	8.3
HIPS corporate bonds*	0.4	-	3.1
HIPS money market	0.2	0.2	0.3

The default lifestyle option is reviewed at least every three years, with the last review carried out in August 2014. Currently the funds which make up the default HIPS drawdown lifestyle option if you are more than four years away from your target retirement age are:

- HIPS world equity fund
- HIPS active diversified fund; and
- HIPS passive diversified fund

The percentage of your units allocated to each fund will change the closer you are to your target retirement age.

As you move towards your target retirement age, your account will gradually move into lower investment risk assets. By the time you reach your target retirement age your account split will be:

- HIPS active diversified fund (37.5%)
- HIPS passive diversified fund (37.5%); and
- HIPS money market fund (25%).

Please refer to the HIPS investment guide for more information.

There are some historic members of the Scheme who are invested in the old default lifestyle option and their units invested will differ from that explained above. The old default lifestyle option is not open to new participants.



■ Investment Choices

You have a number of choices to make as to where your funds within HIPS are invested, allowing you more freedom and control on how you build up your retirement income.

There are two investment options you can make:

- Lifestyle
- Self-Select

Lifestyle

The Lifestyle option automatically switches your units invested from riskier investments to more secure investments the closer you are to your retirement age. The Scheme currently offers three different Lifestyle options: HIPS Drawdown Lifestyle (the default option for the Scheme), HIPS Annuity Lifestyle and HIPS Cash Lifestyle.

The Lifestyle option has the following benefits:

- It automatically switches your funds to lower investment risk funds, relieving some of the pressure off you to make your own investment choices.
- Your units are spread over a variety of funds, providing you with more financial security should one fund not perform as expected.

Self-select

If you prefer, you can select where your own investments are held through the self-select option. The advantages of the self-select option are:

- You have more control over how your funds are invested within the Scheme.
- You can choose to invest in more risky investments which may not be available in the Lifestyle option.

Generally speaking, riskier assets carry the ability to provide high returns over a long period of time, but have the danger of more volatile unit prices.

I need help with my investment choices!

We understand that the majority of our members are not pension experts and will need help and advice when it comes to selecting their investment choices. More details on your current investment split and the choices that you have within the Scheme can be found at www.hartlinkonline.co.uk/hanson. We also recommend that you seek financial advice when it comes to choosing your investment choices and you can find out more about where to find a financial adviser in your area at www.unbiased.co.uk.

■ Scheme news

Pension freedoms

Over the past two years, the Government has dramatically changed the options available to members of DC schemes and how they can withdraw their benefits at retirement. The biggest change allows members to withdraw their entire pension fund as a one off lump sum, rather than forcing them to purchase a pension (known as an annuity), which is also referred to as an uncrystallised funds pension lump sum (UFPLS). Members can still receive 25% of their lump sum tax-free and the remaining 75% is taxed at your marginal rate.

HIPS currently doesn't allow for members of the Scheme to take UFPLS payments unless you are a deferred member no longer in the employment of Hanson and the value of your pension pot is under £30,000. You may however transfer your benefits to a new registered provider which will allow you to withdraw your whole pot as a lump sum.

Existing options with annuities are still available, so you can still take the value of your fund and use the money to purchase a pension with an insurance company. You can tailor your annuity to suit your needs and requirements i.e. allow for a spouse's pension, provide increase in payment and/or provide a guarantee period for lump sum death benefit payments. You also have the option to still have your 25% tax-free lump sum.

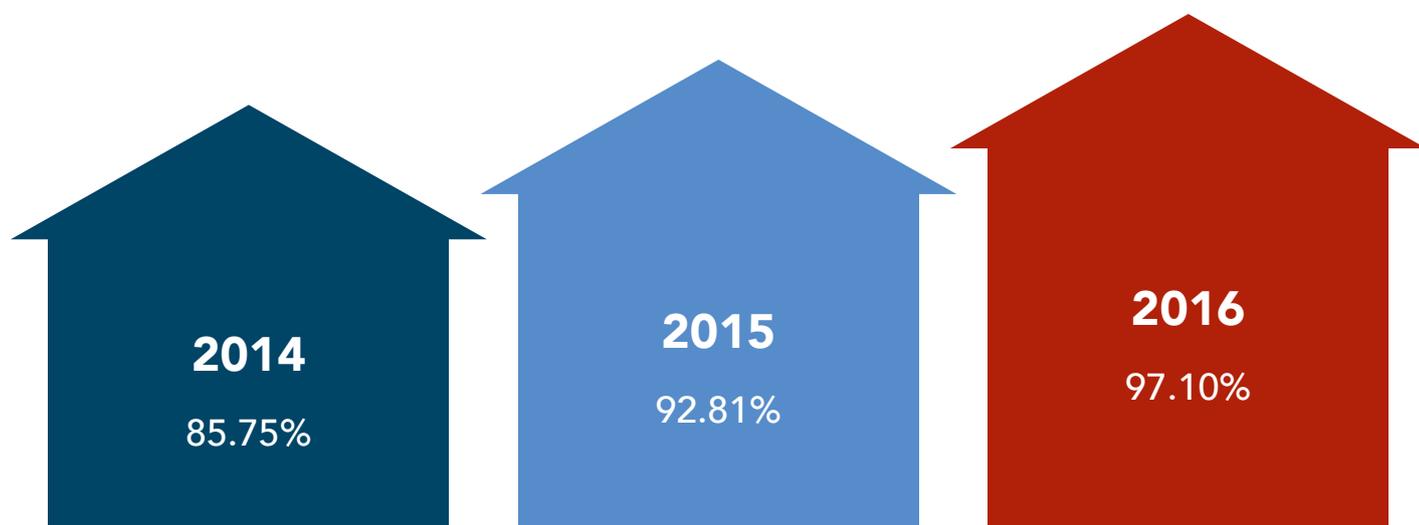
The Scheme will always advise that you don't rush into making any decision about your retirement benefits and recommend that you seek independent financial advice before making any changes to your pension benefits. If you need to locate an advisor in your area, then please refer to the websites listed on page 15.

Capita – three years on

HIPS has now been administered by Capita for three years and much has progressed in that time.

Our newsletter in September 2014 dedicated a section to the change in administration of the team to Capita Employee Benefits. We also updated our members on some of the issues which were being faced at the time of print. We are pleased to inform you that much has changed, improved and progressed since then.

The administration team has processed a staggering 21,000 cases for Hanson members over both the defined benefit (DB) and DC schemes. Each piece of work that comes through Capita's doors is subject to a service level agreement (SLA) of five working days and since the beginning of the administration process, the target of completing work within the SLA has improved significantly:



We also noted in our 2015 newsletter that we were working with Capita to complete a data cleanse project and to improve the automation of benefit calculations. The joint aim of these projects was to improve both the accuracy of information provided to you as Scheme members, and also to help speed up the processing times of each case. This then benefits you as Scheme members by receiving accurate and timely information whenever you contact the administrator moving forward. The data cleanse and benefit automation is almost complete now and as a result you will see further improvements to member services in 2017 that we will communicate to you throughout the year.

We continually work closely with Capita to meet the best interests of all our pension members and we have regular meetings with them to review processes and progress of cases. We thank Capita for their continued support and hard work with running the Scheme.

Hartlink Online

You may be aware that the Scheme, in conjunction with Capita, offers an online service to members which:

- allows members to view and change their current investments
- gives members the opportunity to update their nominated beneficiaries without needing to complete or return forms to Capita
- provides a quick means for members update their personal details without being restricted to office opening hours
- holds electronic copies of the Scheme booklets, financial reports and investment information

Members of the DC section can also run estimates of their future retirement benefits on the site; we will shortly be rolling out this feature for those with DB benefits too. There is not currently a launch date for this feature, but we will update members in due course.

If you have not already done so, we highly recommend that you log on and register to the site which can be found at www.hartlinkonline.co.uk/hanson. The process is quick and simple, just make sure to have your National Insurance number to hand to be able to register.

Helpful hints and tips:

- Your username will be different to your email address
- To make your password extra secure, use a password which is a mixture of uppercase, lowercase, numbers and symbols
- If you're struggling to register for the site, it may be because your details do not match Capita's records, please contact them to check
- If you have more than one pension which is administered by Capita then you can link your Hartlink Online accounts together. Please contact Capita who will arrange this for you.

■ Brexit

On 23 June 2016, the UK referendum voted in favour of leaving the European Union (EU). The UK won't officially leave the EU until Article 50, a treaty to notify the EU Council of our intention to leave, is invoked. This process could take several years to come into effect, but you may already be concerned about the impact this might have on your pension over the short to long term.

Pensions

There will be minimal effects on pensions in the short term, but changes could happen once the UK has officially left the EU. It is important to note here that no law will be automatically repealed on leaving the EU unless it is changed by amended legislation.

EU law currently covers age and gender discrimination, which is why we now see equalised retirement ages for both men and women and the right for employees to not be forced to retire from their work place.

Such laws may be reviewed, repealed or amended following our exit from the EU and it will be up to the Government to decide whether or not to change these.

The State Pension

The State Pension is unfunded (i.e. the money isn't backed by investment) and this is not affected by changes in the financial markets.

Currently, once you are in receipt of the State Pension and living within the UK, you receive increases on your pension in payment by the higher of; inflation, earnings growth or 2.5% known as the triple lock.

If you are a UK State Pensioner living overseas within the EU, and other countries overseas with social security arrangements, you may currently be receiving the triple lock increases on your State Pension as part of an arrangement between the UK and your country of residence. The UK will need to make individual arrangements with these countries in order to still continue allowing overseas UK pensioners to receive increases on their State Pension.

Financial markets

After results were announced there was an immediate impact on the financial markets with share prices reducing across a variety of sectors.

Since then prices have mostly returned to normal and the dip may have been a short term reaction to the result.

Members with DC arrangements will be aware that their pension investments are very much subject to the financial markets and the unit price in their chosen investment strategy.

Choosing your own investment strategy allows you the freedom to select how you want your money to be invested, but does mean that in situations such as Brexit and volatility in the financial markets could have a large impact on your fund value.

As always, if you are concerned with any aspect of your pension we first recommend that you contact your administration team at Capita. However, if you wish to make changes to your investment you may wish to seek advice from an independent financial adviser.

In conclusion we will not see the long term implications of the Brexit vote for many years and therefore we can only speculate and make plans for different eventualities in the coming years.

■ How secure is your pension?

There has been some focus in the media recently surrounding pension schemes and their security should businesses fail.

Two high profile examples of this in 2016 came from the collapse of BHS and the selling of Tata Steel, both of which were reportedly going to have drastic effects on their pension schemes. Channel 4 also completed an investigation in July 2016 which looked at the large financial gaps between the funding of some pension schemes and the amount of money in which they are expected to pay out.

With a lot of media attention on pension schemes no doubt some of our members may have concerns about the security of their pension within HIPS.

The majority of those affected belong to DB pension schemes where a pension is funded by the company and your pension is usually paid based on your years of service within the company and your salary at retirement. Each company with a DB pension will hold accounts where the money used to fund benefits payable is held and invested within financial markets. However, with lower returns on investments, coupled with pensioners living longer than ever in retirement, there are some DB schemes out there that are struggling to meet the requirements for paying pension benefit.

Members of HIPS will have some or all of their pension within the DC section, which means both you and the Company pay into your pension account and the amount of money in your account is used to buy an annuity when you retire. Your pension contributions cannot be held within the same accounts as company funds, which is why your contributions are invested with Fidelity (previously Blackrock as mentioned in our 2015 newsletter). Withdrawals can only be made on your pension account upon retiring or transferring to a new arrangement. The performance of your pension is based on financial markets which can go down as well as up, which is why we always encourage our members to regularly review their pension and finances with an independent financial advisor.

If you are ever concerned about the security of your benefits then please feel free to contact the Trustee via Capita and speak to a financial adviser if you wish to look into your benefits within HIPS and other schemes.



■ Pension scams

We have more options than ever before in regards to our retirement benefits and what we can do with them once we reach retirement age. Unfortunately with increased pension freedoms comes an increase in fraudsters trying to get hold of your pension benefits.

This year we saw a dedicated BBC Panorama programme 'Pension Rip Offs' which aired in July 2016 highlighting a lot of the new ways in which companies will try to scam you out of your pension funds.

The consequences faced by victims of pension scams are severe. In most cases once the fraudsters get hold of your money you will never see it again. As well as this Her Majesty's Revenue and Customs (HMRC) could fine you up to 55% of your total fund value for the liberation of your pension benefits, if you access them before the minimum retirement age (currently age 55).

Below are a few warning signs to look out for and questions to ask yourself in regards to your pension.

- **Free pension reviews.** Financial advisers have been banned as of 31 December 2012 from accepting commission from providers on products such as investments and pensions. If you are approached with a free pension review, always question how the advisor will be getting their fees (it's very rare that they will actually work for free!)
- **"Legal loopholes"**. Unless you are suffering from ill health you **cannot** withdraw your pension before age 55. **There are no legal loopholes** and any company that claims that they can access your pension benefits legally before age 55 are not legitimate.
- **Cold calling/texting.** This is of the easiest and quickest ways for unregulated companies to contact you. There are many ways in which they could have obtained your details such as your data being sold on or them generating random phone numbers. It was announced in the Autumn Budget that the Government will look to implement legislation that will make pension related cold calling illegal in future.
- **Courier delivered documents with a request for an immediate signature.** Never be rushed into making any decision there and then, always read over any paperwork given to you by an adviser and make sure you understand everything before signing it.
- **Convincing marketing materials promising over 8% returns.** The age old saying of "if it's too good to be true, it probably is" comes into play here. Also be wary of investments which offer unregulated markets or investments such as precious metals, land or overseas property.
- **Transferring overseas.** Overseas investments are not always regulated by the FCA which makes it easier for potential scammers to get away with taking your hard earned cash to another country.

How to protect your pension

1. Never be rushed into making a decision. This is your money and future income that you are dealing with.
2. Check out if the firm approaching you is approved by the Financial Conduct Authority at <https://register.fca.org.uk>. You can also view registered businesses at www.companyhouse.gov.uk.
3. If you have not yet agreed to a transfer and you have any concerns, speak to your pension provider who will have been trained on pension liberation.
4. If you have already accepted an offer and are concerned about the situation, call Action Fraud on 0300 123 2040.

■ Government pension news

New State Pension

In April 2016, the new State Pension was introduced by the Government to replace the old basic and additional State Pension.

You are affected by the change in the State Pension if you:

- are a man born on or after 6 April 1951; or
- a woman born on or after 6 April 1953.

If you are born before the above dates then you will continue to receive a State Pension under the old system.

The change in the State Pension means that instead of having two tiers of State Pension, everyone now has a flat rate amount of £155.65 per week as their State Pension.

The amount is subject to you accruing 35 years of National Insurance contributions, if you have less, you will receive a reduced amount of State Pension subject to having at least 10 years of National Insurance contributions.

You can find out further information on your State Pension benefits by going to www.gov.uk/new-state-pension.

Annual allowance and lifetime allowance changes

From April 2016, the lifetime allowance has dropped from £1.25 million to £1 million. To counteract the change, the Government introduced two further protection certificates, Individual Protection 2016 and Fixed Protection 2016. If you believe that you are affected by the reduction in the lifetime allowance, then we recommend that you seek independent financial advice.

The Government has also introduced a tapered annual allowance for those who earn over £110,000 (not including pension contributions) and £150,000 (including pension contributions). If you are affected by the tapered annual allowance, then your personal allowance will be reduced by £1 for every £2 your earnings takes you over the above amounts, subject to a maximum reduction of £30,000.

For both allowances, the total of all your pension benefits are affected and not just those in the HIPS.

Changes in Government

Following the EU referendum results, David Cameron resigned as Prime Minister and was replaced by Theresa May. This made way for some major changes to her cabinet and included a re-shuffle, in which Baroness Altmann has been replaced by Damian Green as the new Work and Pensions Minister.

■ Where can I get more information?

Scheme contacts

If you would like further information about your pension, or have any comments on this newsletter, please contact the Scheme administrator using the following details:

Address:

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

Telephone: **0345 600 0591**

E-mail: **Hanson@capita.co.uk**

Hartlink online: **www.hartlinkonline.co.uk/hanson**

Third party contacts

www.pensionwise.gov.uk

The new free Government hub for retirement information. You can book a free appointment to speak to an adviser over the phone or face-to-face.

www.thepensionsregulator.gov.uk

Information in regards to pension and laws surrounding them, plus the site provides useful articles and advice when it comes to your rights with your pensions.

www.moneyadvice.service.org.uk/annuities

Provides help and guidance on what an annuity is and allows you to compare annuity packages online.

www.moneyadvice.service.org.uk/en

Advice and guides on anything from pensions to debt and mortgages to insurance.

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

Provides help in finding an independent financial adviser in your area.

www.pensiontracing.service.com

A free dedicated site to help you track down your lost pension benefits from multiple schemes.

