Trustee newsletter 2016

For members of the Wincanton plc Pension Scheme

Wincanton

DEFINED BENEFIT SECTION

An introduction from the Chair of the Pension Scheme Trustee Board

Welcome to your 2016 pensions newsletter for the Defined Benefit section of the Wincanton plc Pension Scheme. A lot has happened over the past year or two both in the world of pensions and in your Scheme. In this newsletter we have tried to set out the most important points as clearly and straightforwardly as we can. We hope it's an interesting read.

There have been a number of changes to the members of the Trustee Board which is covered in the arrivals and departures section. I would like to extend my thanks to Stephen Barker and Tom Willis who have stepped down in the last few months both of whom served on the Board with passion and professionalism over many years.

I know many of you will have read about Defined Benefit schemes being challenged by the current very low level of gilt yields. These very low interest rates have affected our Scheme too and the funding level has deteriorated over the past year as we explain later.

However, the impact has been softened in our case by the performance of our assets which have grown ahead of their benchmark over the past 3 years. In addition, the Trustee has agreed with the Company to restructure some of our investments so we can reduce the impact that future changes in interest rates and inflation will have on the funding of the Scheme. These changes are being implemented over the coming months and we will tell you more about them once the process has been completed.

Please do send us your feedback on this newsletter. We want to keep everyone up to speed with Scheme developments as easily and straightforwardly as we can. If we can improve it, let us know!

Quentin Woodley

Road to retirement

Your future, your choice

ENTER

Contents

Scheme update

Website update

As you may be aware, we launched our new pensions website in January 2016, which offers a wide range of useful features including:

- Information about the benefits of saving for retirement;
- Tools and support to help with your financial planning;
- Latest pension news; and
- Scheme forms, including the nomination of beneficiary form.

Take a look at **www.wincantonpensions.co.uk**

New pension freedoms

The new pension options introduced in the 2014 Budget have led to more members of defined benefit schemes – like ours – to transfer their benefits out to take advantage of the greater flexibility available.

In addition, recent changes to tax rules have increased the level of pension benefits members can take as a one-off lump sum – which in turn has meant greater scope for receiving pension benefits valued at under £30,000 as cash.

If you are aged 55 or over (the earliest age you can retire) and not yet in receipt of your pension, you will receive a letter in the post shortly providing further information.

At the point of leaving the Defined Benefit Section of the Scheme, you will have received a leaving service statement from our Scheme administrators. If you would like to receive an up-to-date statement of your benefits, please contact Capita using the details in the 'Making contact' section of this booklet.

Pension scams

The pensions landscape has changed given the new freedoms mentioned on the left.

The tactics used by pension scammers to encourage people to transfer their pension savings to them are constantly changing. Some of the tactics used include offering free pension reviews, health checks and promises of better returns on their savings, pension loans, upfront cash or other promotions to tempt them. Most of these are bogus. Some scammers are also directing members to transfer their pension savings into small (often one or two member) occupational schemes in an attempt to escape scrutiny from regulators.

If a member is under age 55, they cannot release their pension unless they are in ill health. If members are over 55, they can now release funds from their pension. They may still be at risk from scammers. You should always take appropriate independent advice from an FCA-authorised adviser. You can also use the Government's Pension Wise service to understand your options. Please see the back page for website details.

Running the Scheme

Arrivals and departures

During 2016, **Stephen Barker** and **Tom Willis** both stepped down from the Trustee board. We would like to thank them both for their years of hard work and commitment to the Scheme and wish them all the very best for the future.

Stephen was a Member-Nominated Trustee, so we held an election in 2016 to find a replacement from the members currently contributing to the Defined Contribution Section and pensioner members of the Defined Benefit Section. Five candidates entered into a ballot, run by Electoral Reform Services, which closed on 12 September 2016.

We are delighted to confirm that **John Bowen** has been elected to the board. John joined us from 1 November 2016.

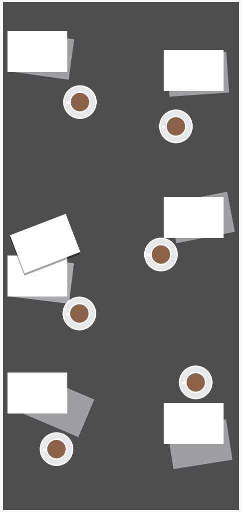
Tom was appointed by the Company, and we would like to welcome **Nicci Evans** as his successor. Nicci took up the role in March 2016, and she is already making an important contribution to the board.

The current Trustee Directors are…

John Bowen
LGV Driver, Wincanton plc
(Member nominated)

Nicci Evans
Head of Corporate Reporting, Wincanton plc
(Company nominated)

Richard Goodman
(Company nominated)



Quentin Woodley – Chair
Woodley Pension Trustees Ltd
(Company nominated)

Glenn Wellman
Independent Trustee Director
(Company nominated)

Conrad Wagstaff
Contract Engineering Manager, Wincanton plc
(Member nominated)

Nicci, Conrad, John and Richard are all members of the Wincanton plc Pension Scheme.

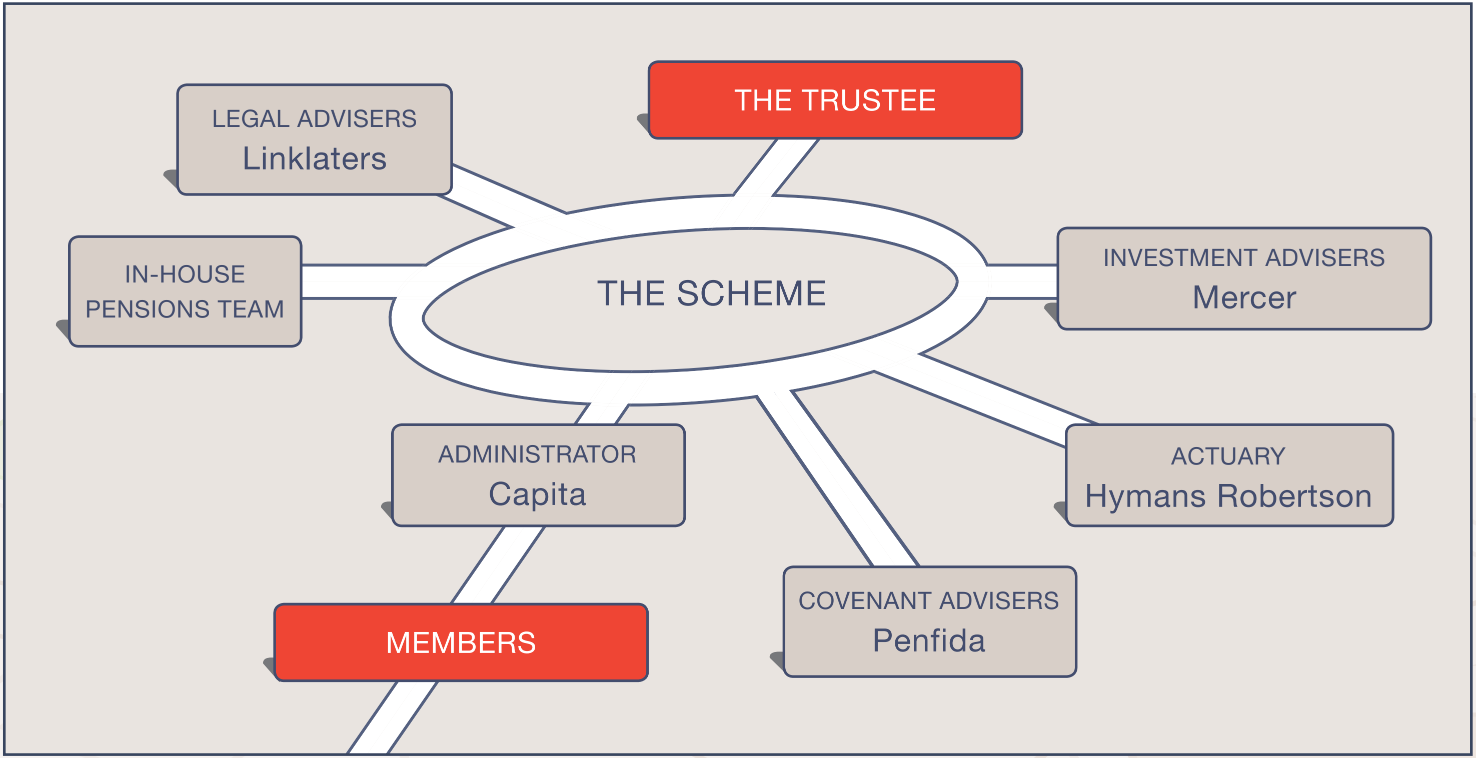
Meet the Trustees

We asked two Trustee Directors some questions to get to know them a little better – and find out what they think about their role…

	Conrad	Quentin
How long have you been a member of the Trustee Board?	I have been a Trustee for 3 years or thereabouts.	I joined in March 2015.
What made you decide to become a Trustee?	I wanted to ensure that the membership had a voice at the board meetings, particularly those outside of the Head Office 'bubble'. It also gave a me a greater insight into how the scheme was administered and an understanding of the company's commitment to the scheme and its members. My Father was also a Trustee in addition to being an Engineer so it was somewhat in my blood.	I have a background in finance and management consultancy. In 2003 my wife, who is an actuary, and I decided to focus on bringing our expertise to the boards of large pension schemes by offering to chair them. We now chair 6 large schemes including Wincanton and Home Retail Group (Argos).
What experience do you feel helps you carry out your Trustee role?	Having been involved in a number of projects of significant commercial value in my career I was not too phased by the enormity of the values that were discussed at the initial Trustee meetings. My roles have encompassed budget control (operational and project) in addition to contractual aspects, legal compliance and code of practice. A number of these skills were directly transferable to the Trustee role where there is significant fiduciary responsibility. I would say my preference sits on the legal side.	My finance background definitely helps as there are lots of investment and other financial matters for trustee boards to think about. However, I think the thing that helps me most is the fact that I spent my whole career leading and getting the very best out of teams of people and that leadership experience is the perfect background for chairing collaborative trustee boards.

	Conrad	Quentin
What advice do you have for members – or employees who may not be in the Scheme?	To those employees that are not members of the Scheme I would strongly advise them to join. We now have auto-enrolment so they will be automatically put into the Scheme however they can subsequently choose to opt out. I would urge them to stay in and enjoy the benefits that the Scheme has to offer: matching contributions from the employer (money for nothing!), death in service benefits to give your loved ones some financial protection should the unthinkable happen and finally a more financially secure future when they eventually retire.	Join! I strongly believe that all of us should be a member of a pension scheme. I know there are always other priorities for one's money. However, if you hope to live a long and happy life you are going to need a pension. Remember, you get tax relief on the money you put in and it grows tax free too. Equally importantly, the Company pays significant contributions on top of your own – in effect giving you a pay rise. What's not to like?
What do you enjoy most about your role on the board?	A Trustee's role can be very time consuming but I enjoy the challenges; the opportunity to hopefully secure a better retirement for my colleagues and former colleagues, the chance to develop my own knowledge, the debates and challenges we have as a Trustee board, the ability to meet and work with people from a variety of backgrounds and finally the opportunity 'to give something back'.	I really enjoy the work – it is intellectually challenging and involves lot of collaboration and team work. Wincanton has a very strong team ethos and that comes through on our board. We have a great group of trustees supported by a strong in-house pensions team and I very much enjoy working with them all as we strive to deliver the best service and outcomes for all the members of this Scheme.

Bird's eye view



In the news

Tax allowances

There are two allowances in place for the pension contributions and pension savings you can build up tax free:

- The **annual allowance**, which applies to the contributions that count towards your pension savings each tax year; and
- The **lifetime allowance**, which applies to the overall pension benefits you build up over your whole working life.

The allowances are broadly designed to affect high earners, but in recent years the allowances have reduced in value – meaning more people are now affected when they may not have been before. It is up to each individual to keep track of their position against the allowances, as they apply to all your pension benefits apart from the State pension – in other words, you need to take into account your Wincanton pension, plus any other company schemes or personal pensions you may have.

The standard annual allowance is currently £40,000.

However, you will have a personal annual allowance, depending on the following:

- Most people are likely to have a higher annual allowance, thanks to ‘carry forward’ – you can bring forward ‘unused’ annual allowance from the three previous tax years. So, to keep it simple and just look at one year: if you added £15,000 to your benefits last year, you could carry forward the £25,000 of annual allowance you had left, making your annual allowance for this year £40,000 + £25,000 = £65,000.
- High earners – those with incomes of over £110,000 a year, or £150,000 a year including their pension contributions – have their annual allowance reduced on a sliding scale. This is called ‘tapering’. The lowest annual allowance is £10,000 for those earning more than £210,000 a year (including contributions). People with tapered allowance can still carry forward – if they have any unused annual allowance available.

The **lifetime allowance** is currently £1 million. Again, it is a high figure, but remember it applies to the **value** of **all your pension savings.**

To check where you are against the lifetime allowance:

- Start with your annual Wincanton pension and multiply it by 20 to get its rough value.
- Add any AVCs you have built up, plus any other defined contribution amounts (such as personal pensions).
- If you are due a deferred pension from any other Defined Benefit schemes, multiply the current amount (including the increases it has received since you left) by 20 to find its rough value, then add it to your total.

If you think the lifetime allowance may affect you, you can apply to ‘protect’ your benefits. The Government has made various types of protection available over the years so that people with benefits close to the lifetime allowance need not be affected.

New State Pension

From 6 April 2016, the new ‘single-amount’ State pension replaced the old two-part version, made up of the basic State pension (which was a flat amount) and the State Second Pension, or ‘S2P’ (which was based on your earnings).

The full rate of State pension is £155.65 a week. However, the amount you actually receive depends on how much National Insurance you pay over your working life – and there are several different situations that might affect this:

Qualifying years	Any year when you pay above a certain level of National Insurance is called a ‘qualifying year’. To receive the full-rate, you must have 35 qualifying years over your working life. (You need 10 qualifying years to receive any State pension at all – and if you have between 10 and 35, you will get a scaled-down amount.)
Contracting out	Pension schemes used to be able to ‘contract out’ of S2P. Contracting out allowed both the employer and scheme members to pay lower National Insurance. As a result, members would not build up S2P – but the scheme would undertake to provide benefits that were at least as good. Our Scheme was contracted out for a period, so your State pension is likely to be lower – but the benefits you receive from the Scheme should more than cover the S2P you gave up.

Where to go next

You can find out more details about:

- The tax allowances – and how to apply for protection against the lifetime allowance; and
- The new State pension – including how to work out your State pension age and get an estimate of your State pension at retirement

on the Government’s State benefits website, called ‘GOV.UK’: **www.gov.uk**

Dashboard

Member profile

Since its closure in 2014, the Defined Benefit Section of the Scheme no longer has members building up further pension. At 31 March 2016, this Section had a total of 15,649 members – and this chart provides a breakdown of membership status.

8,455 DEFERRED MEMBERS

(with pension left in the Scheme to receive at a later date)

7,194 PENSIONERS

(members – or their dependants – already receiving their benefits from the Scheme)

Accounts snapshot

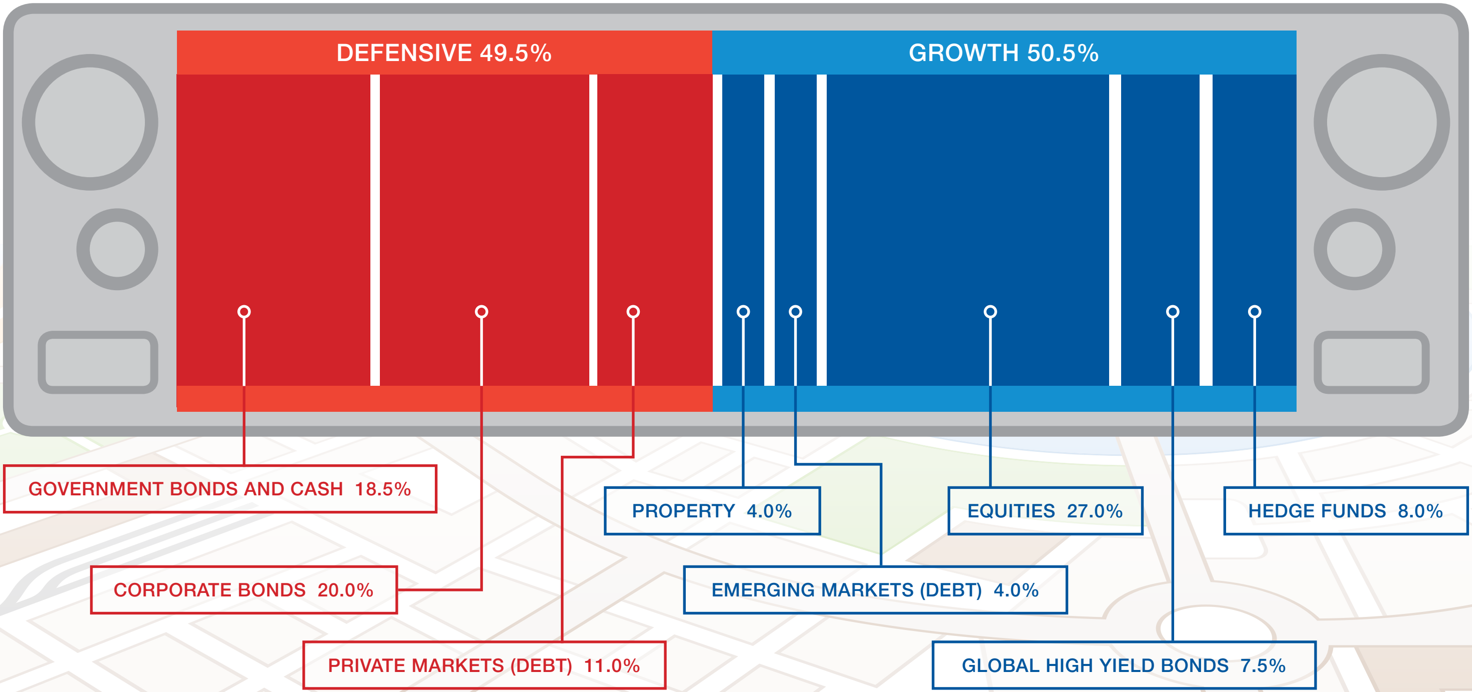
	£000
Section assets at 1 April 2015	924,472
WHAT CAME IN (Company contributions)	23,779
WHAT WENT OUT (benefits, transfers and expenses)	(41,499)
Change to investment values	(1,569)
Section assets at 31 March 2016	905,183

Please note that the full audited Annual Report and Accounts are available upon request.

The objective is for the Section to have enough funds to provide members' benefits in the long term, with the help of the Company's financial support and the returns on its investments – read more in the Summary Funding Statement on page 14.

Investment update

At 31 March 2016, our target spread of assets across the Scheme's various investment funds was…



…and here is how those funds performed over the previous year. (We have also included the average yearly returns for the three years to 31 March 2016, to give you a better idea of how the funds have been performing over the longer term.)

Fund	Type of Investment	1 year to 31 March 2016 (% investment return)	3 years to 31 March 2016 (average % investment growth each year)
BlackRock – Global Equity	Equities	-4.0	9.9
BlackRock – Emerging Markets Equity	Equities	-11.7	-2.6
BlackRock – Emerging Markets Equity (Passive)	Equities	-7.1	-1.4
Mercer – Global Small Cap Equity	Equities	0.0	10.4
Mercer – Global Low Volatility Equity	Equities	7.9	10.5
Ruffer – Global Low Volatility Equity	Equities	5.0	5.7
Mercer – Emerging Markets Debt	Emerging Markets (Debt)	0.6	-5.7
Mercer – Global High Yield Bonds	Global High Yield Bonds	-1.7	-
BlackRock – Fund of Hedge Funds	Hedge Funds	-1.6	4.7
CBRE – Property	Property	8.1	7.3
Aviva – Private Markets (Real Estate Debt)	Private Markets (Debt)	3.2	-
M&G – Private Markets (Real Estate Debt)	Private Markets (Debt)	4.0	-
Mercer – Private Markets (Senior Debt)	Private Markets (Debt)	2.2*	-
BlackRock – Diversified Bonds	Corporate Bonds	2.1	-
BlackRock – Corporate Bonds	Corporate Bonds	-1.4	6.5
Insight – Corporate Bonds	Corporate Bonds	1.8	7.7
BlackRock – Government Bonds	Government Bonds and Cash	2.6	12.2
BlackRock – Cash	Government Bonds and Cash	0.4	0.4
Overall Scheme return		**0.1**	**8.9**

Please note:

We have been investing in certain funds for less than three years – which is why some of them do not have a figure in the ‘3-year’ column.

As you can see in the performance table, we spread the assets across different funds. This is called ‘diversifying’ the assets, and can be a good way to manage risk – if one fund performs poorly, it need not have a huge impact on the remainder.

Performance has been shown before the deduction of fund management fees.

*Internal rate of return over the full period since investment in July 2014 to 31 March 2016.

Investment Policy and Objectives

The selection of asset classes and the respective target allocations to them is the responsibility of the Trustee acting on expert advice. The day-to-day management of the Scheme's assets is delegated to independent investment managers. The Trustee is responsible for the appointment and performance monitoring of the investment managers.

The Trustee's primary objective is to invest the Scheme's assets in the best interests of the members and beneficiaries, and specifically to meet members' benefit obligations in full with as high a level of certainty as possible. The Trustee determines the asset allocation targets based on this primary objective, taking into account the cash contributions from the Company and the expected investment returns from the asset classes selected. The Trustee considers the ongoing ability/ willingness of the Company to support the Scheme when agreeing the spread of assets.

During the period March to July 2016 the Trustee and the Company held a number of discussions about the Scheme's investments and how best to stabilise the Scheme's funding level (see the next section for an explanation of this term).

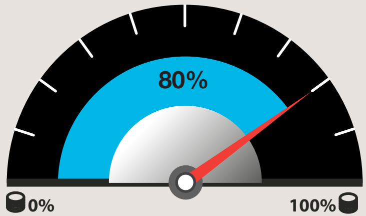
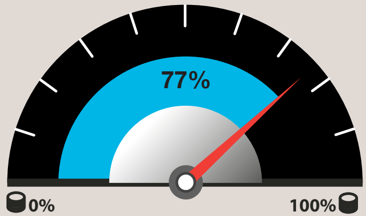
Having considered all the risks facing the Scheme in some detail and having taken appropriate advice from its advisors, the Trustee has agreed with the Company that a number of changes should be made to the Scheme's investment strategy to reduce risk, especially the risk that the Scheme's liabilities (the value of the benefits the Scheme expects to pay out to its members) grow faster than its assets due to changes in interest and inflation rates. Over the course of the next 15 months a number of changes will be made to our assets that will have the effect of reducing the Growth assets and increasing the Defensive assets. The new mix of assets should eliminate, as far as practicable, changes in the funding level driven by changes in interest or inflation rates. We will explain more about this in our next Newsletter when the necessary changes to our assets are expected to have been completed.

Summary Funding Statement

Every three years, the Scheme undergoes a valuation – this is a ‘health check’ carried out by our actuaries on the Scheme’s finances. The valuation compares the Scheme’s assets – the money it has from contributions and investment returns – with its funding target – the amount it expects to pay out in benefits and costs (plus a safety margin).

The percentage of the funding target covered by the assets is called the ‘funding level’. If the funding level is more than 100%, the Scheme would be in ‘surplus’ and have more than enough money to cover its costs. However, in the current economic climate, it is more common for schemes to have a ‘shortfall’ or ‘deficit’, where the assets are lower than the funding target. We then consult with the Company about the level of contributions Wincanton plc will pay to make up the shortfall over a given period.

In the years between valuations, we receive less formal updates on the funding position to help us keep on top of the Scheme’s progress. This statement looks at the Scheme’s funding level as shown in the latest update at 31 March 2016.

	Last full valuation (at 31 March 2014)	Latest update (at 31 March 2016)
Funding level		
Assets	£783 million	£903 million
Funding target	£978 million	£1,177 million
Shortfall	£195 million	£274 million

The funding level has gone down over the last two years, mainly because of the fall in gilt yields (broadly, the income payable from government bonds is now lower) – which increases the estimated value of the Scheme’s costs – and, in turn, the funding target.

That said, the impact of this has been lessened by the extra contributions made by Wincanton towards making up the shortfall (see right), and by the Scheme’s assets giving better returns over the period than expected.

Please note that the Scheme will keep paying benefits in full, even when the funding level is less than 100%. Pension schemes are long-term investments – and the purpose of these valuation exercises is to enable us and the company to take any actions needed in good time.

Action plan

Following the 2014 valuation, Wincanton agreed to make monthly contributions to the Scheme, starting at £14.5 million a year, then increasing each year in line with inflation. Also following the disposal of Wincanton Records Management, Wincanton plc paid an additional £7 million into the Scheme from the sale proceeds.

At the time this action plan was agreed these contributions were due to make up the shortfall by September 2024. As the funding level has gone down since then, this may no longer be the case. However, we will agree a new contribution plan with the Company following the next valuation at 31 March 2017.

Solvency position

The figures you can see in the charts all assume that the Scheme is 'ongoing' – i.e. that it will not be shut down or wound up prematurely. However, we are also required to include a figure called the 'solvency' position in this statement.

This is the funding level percentage if the Scheme were to wind up – that is, close down completely and appoint an insurance company to take over the payment of members' benefits. Because the insurer would need to invest the assets very cautiously – and make a profit – the 'solvency' funding level is always lower than the ongoing figure. At the last valuation, it was 52%, and at 31 March 2016, it has reduced slightly, to 49%.

Please note that there are no current plans to wind up the Scheme.

Some legal points

- An employer cannot normally wind up a pension scheme unless it can provide the members' benefits in full. However, if a scheme ends because the employer goes out of business, the Pension Protection Fund (PPF) can step in to pay some or all of the benefits due. There are certain tests that are carried out by the PPF before they take over the responsibility of a scheme and the amounts paid are often less than members' expected full benefits. You can find out more at www.pensionprotectionfund.org.uk, or by writing to Pension Protection Fund, Renaissance, 2 Dingwall Road, Croydon, Surrey CR0 2NA.
- Should the Scheme fall within the PPF, they will generally pay 100% of your pension in payment if you are past your normal retirement age. Your payments relating to pensionable service after 6 April 1997 will then increase in line with inflation each year subject to a maximum of 2.5%. Payments relating to service before that date will not increase. If you have not reached your normal retirement age under the Scheme the PPF will generally pay 90% of your accrued benefits subject to a cap (which is currently £37,420.42 at age 65 which equates to £33,678.38 when the 90% level is applied). If you retired early a lower annual cap is set to take into account the longer time that you will be receiving benefits.
- The Pensions Regulator acts as a watchdog, ensuring that employers and trustees are fulfilling their responsibilities and schemes are being run effectively. The Pensions Regulator is also able to intervene to help trustees and administrators run their schemes where necessary. The Regulator has not imposed any directions or changes to the Scheme in the last 12 months.
- We have not made any payments to Wincanton out of Scheme funds over the last year other than reimbursement of expenses.

Making contact

Please get in touch if:

- You have any queries about your Scheme benefits, or anything you have read in this newsletter.
- You would like to see any of the Scheme's official documents (for example, the formal Annual Report and Accounts).
- You need to let us know about any change to your personal details – especially if it affects your 'nomination of beneficiary form' (see below).
- You still need to give us your e-mail address, so we can send you further information electronically.

Phone: **0345 122 2032**

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

Or write to: **Wincanton plc Pension Scheme**
Capita
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL

Nomination of beneficiary form

This is the form you use to tell us who you would like to receive any benefits from the Scheme payable after your death. As the Trustee, we have the final decision over where to settle the benefits, but we would normally aim to follow your wishes unless there was good reason to do otherwise.

If you have a major life change – in particular, if you get married or become a parent – it is likely to affect who you name on your form. Please check regularly that it's up to date. You can find a blank form on the website and send us a new one at any time – it will immediately replace any form we have from you already.

Exploring further

Here are some other websites you might find useful when planning your finances – both now, and for retirement.

Money Advice Service

A wide range of information and guidance on general financial planning.

www.moneyadviceservice.org.uk

The Pensions Advisory Service

Further support focusing solely on pensions, including help with a number of possible issues, like guarding against pension scams.

www.pensionsadvisoryservice.org.uk

GOV.UK.

The Government's website bringing together all the available information about State benefits – including State pensions.

www.gov.uk

Pension Wise

A special service for anyone looking for help with choosing between the new flexible retirement options.

www.pensionwise.gov.uk

Unbiased

A portal that includes a search tool for you to find an independent financial adviser in your area.

www.unbiased.co.uk

SB5374-DB