IN FORM

EDITION 1 | December 2015
FUTUREPLANNER

Welcome to your new look INFORM newsletter

You are currently viewing the downloadable version but we hope you liked the new online format.

HIGHLIGHTS

Freedom and choice for your pension

We'll explain exactly what that means to you!

New freedom and choice investments

Helping you to make the most of the new retirement options.

Your pension news

We cut out the jargon so you don't miss out on important information!

Trustees' report highlights

Find out how the Plan is performing.

SPOTLIGHT ON...

...Freedom and choice for your pension

You've probably heard a lot in the news this year about changes to pensions. This has all been focused around a new Government initiative which, in summary, is aimed at providing you with more 'freedom and choice' for what you do with your pension savings.

As a Defined Contribution (DC) member, you have a Retirement Account which is an invested pot of money to be used when you retire. The new changes now give you more options for what you can do with your Retirement Account.

Whether you are close to retiring or still have a long way to go, we want to make sure you understand the new flexibilities so you can make informed decisions about your future.

What are the changes?

The changes introduced on 6 April 2015 mean that there is no longer the requirement to purchase a pension (annuity), as was previously the case. People, aged 55 and over, with DC pension savings now have three different options to consider:

1. A pension for life
An annuity can still be bought that will pay a monthly income for the rest of your life. This can be payable with or without the first 25% being taken as a one-off tax-free cash lump sum.

2. A cash lump sum
All your savings can be taken in one go as a cash lump sum. The first 25% would be payable tax-free but the balance would be taxed at your marginal rate of income tax.

3. A flexible income or 'income drawdown'
As an alternative to the above, your pension savings can be left invested and money can gradually be withdrawn when you need it (known as income drawdown). Income drawdown has, in fact, been around for a while but the rules were quite restrictive depending on your pot size. The rules have been changed so that it is available to everyone irrespective of the pot size. As with options one and two, the first 25% of any amount withdrawn is payable tax-free, with the balance subject to income tax.

What does it mean to me?

Pensions plans are not required to offer any of the new options to their members but (to help you make the most of the new choices) we have made a few changes to the Plan to accommodate these options where possible.

When you retire you will now be able to choose from the following options:

1. Take up to 25% of your pension pot as a tax-free lump sum
2. Take the remaining 75%:
   a) as an annuity
   b) or as income drawdown
   c) or a mixture of both

Take action! We've launched a new retirement service to help you make the most of the new freedom and choice. To find out more about this service, read the **New freedom and choice retirement service** article in 'Your pension news' (page 3).

Please note that FuturePlanner will not be offering a taxable cash option for the time being. You can take 25% of your Retirement Account tax free but if you want to take more than this as a taxable cash lump sum then it would mean transferring your Retirement Account out of the Plan to a regulated arrangement which does permit this additional flexibility. The consent of the Trustee may be required to do this.

More on income drawdown

Income drawdown means that you keep your pension pot invested in a pension account and then decide how much to 'drawdown' each year – so if you had a pot of £100,000 you might plan to take £5,000 income each year over 20 years. But remember:

- If the investment of the pension account goes well, you might still have some money left at the end of the 20 years.
- If they go badly, you might run out earlier than you expected.
- If you live much longer than 20 years then you might find it hard to get by in later life but if you die earlier, the money still in your account could pass on to your family.

Of course you could decide on a different period than 20 years, you could take the money over, say, one year. However, it is important to recognise that the income is taxable so there is a risk of having to pay higher rates of tax if you take too much too fast.

Income drawdown vs. annuities

Use the table below to understand some of the key differences between income drawdown and annuities:

Annuity	Income drawdown
Guaranteed income purchased from an insurance company	Flexible income taken from your own pension account
No investment risk	Risk of investment loss and potential for investment gain
The cost of annuities is generally thought to be quite expensive	You don't have to lock into a pension value
The pension dies with you (or your spouse if you paid for this option when you retired)	The pension account can be passed on to your family (provided it doesn't run out before your death)

SPOTLIGHT ON...

...New investments for freedom and choice

Investing is an essential part of helping the money you save in your Retirement Account to grow. We have been reviewing the Plan's investment strategy in the light of the 'freedom and choice' changes and have decided that a few changes are needed.

At the moment, over 90% of FuturePlanner members use the Default strategy set by the Trustees to invest their retirement savings. This means that the Trustees make the decisions about how the money should be allocated to help it grow with an appropriate level of risk.

The Default strategy is made up of different 'phases' designed to manage how your money is invested as you move closer to retirement.

Currently, the final growth phase of the strategy gives some protection from variations in the cost of buying an annuity (pension) as you get close to retirement. As you now have more choice for how you take your Personal Account at retirement, the Trustees have recognised that it is likely that fewer people will be buying a traditional annuity just because they have to.

As a result, changes have now been made to two elements of the strategy:

1. Pre-retirement wealth builder

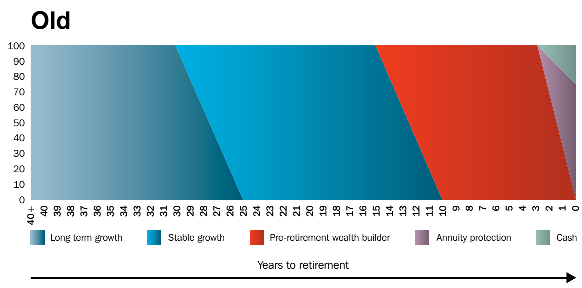
This fund will be renamed as 'cautious growth' and will focus on protection from market volatility (where investments can go up and down quite dramatically), rather than just focusing on protection from the change in annuity prices.

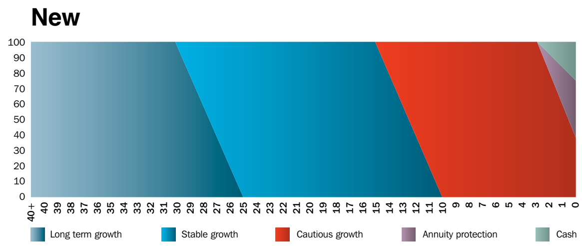
2. 'Off risk' phase – cautious growth, annuity protection and cash

The final 'off risk' phase of the strategy has been changed. Moving forward, immediately before your target retirement age your money will be positioned to suit the new choices available and split across the various funds as follows:

- 25% in cash
- 37.5% in assets that match the cost of buying an annuity
- 37.5% in assets that target 'cautious growth' (suitable for income drawdown)

The chart opposite summarises how the old and new Default strategy works as it works its way through each of the funds over your career.





Members who do not think the Default strategy is appropriate for their circumstances are able to manage their investments actively using the pick and mix option. Learn more about the pick and mix option at **futureplanner.co.uk/24/pick-and-mix-you-select**.

YOUR PENSION NEWS

New freedom and choice retirement service

We've covered the cost...

We have teamed up with Fidelity to give you access to their retirement service which provides guidance, tools and advice to help you with your retirement planning and to get the most from the new choices.

No matter what stage you are currently at in your retirement journey, you can find information on all the different options available to you by visiting the website or calling one of their specialists.

Even better is that FuturePlanner will cover the cost of the basic service. Why not take a look now? To access your retirement service, visit **futureplanner.co.uk/187**.

Your money, your choice

The Government launches a new pension guidance service...

The Government has launched a new '**Pension Wise**' service to give free impartial guidance to anyone with DC pension savings.

If you are approaching retirement and interested in this service, you'll find further information at **pensionwise.gov.uk**.

If you would prefer to speak to a specialist on the phone, or book a face-to-face appointment, you can register at **pensionwise.gov.uk/appointments**.

We recommend that you use this service to receive guidance and support with your retirement planning decisions.

Pension scams – don't get stung

Who's after your pension...

Pension scams are on the increase in the UK. With more flexibility in the way that pension scheme members can now access their pension savings, scammers are offering promises of one-off investments, pension loans or upfront cash. The Pensions Regulator continues to issue a warning that for most people the offers will be bogus and victims will lose most, if not all, of their savings.

Visit **pensionsregulator.gov.uk/pension-scams** to find out more.

Investment charges – some good news

The Trustees have been able to secure a better deal...

While a lot of the costs of running FuturePlanner are met by the Company, members are required to meet the costs of investing their money. This is done through charges to the value of the investment 'units' in your retirement account.

There have been a couple of helpful developments recently that mean the Trustees have been able to secure a better deal for funds used in the Default strategy:

1. The Government has passed legislation to place a cap of 0.75% per annum on the charges for funds which are used for auto-enrolled employees (as is the case for FuturePlanner).

2. There has been a helpful judgement from the European Court of Justice around VAT on these charges.

The old and new charge rates are set out below:

	Q1 2015	From 1 July 2015
Long term growth	0.75%	0.60%
Stable growth	0.74%	0.65%
Cautious growth	0.67%	0.55%

New investment names

Introducing Old Mutual Wealth and River and Mercantile Group…

There has been some re-branding and organisational change at our investment suppliers.

First, our investment advisors, P-Solve, have become part of the River and Mercantile Group – a change which we expect to increase the level of skill and expertise deployed in the investment strategies they put together for FuturePlanner.

Secondly, the suppliers of our investment platform have re-branded to Old Mutual Wealth (previously Skandia). The investment platform is the service that actually holds the assets of the Plan on behalf of the Trustees.

While the names may have changed, there is no impact on the high quality of service we expect for FuturePlanner members.

State Pension changes

How much will you be entitled to?

From April 2016, there will be a new single-tier State Pension. It will be at least £151.25 per week (compared to £115.95 per week for the current basic State Pension) for those with a full National Insurance record.

Alongside that, the State Second Pension will come to an end and those who have had periods of 'contracted-out' employment may need to pay further National Insurance to qualify for the full amount even if they have a full record under the old rules. As a member of FuturePlanner you have been contracted into the State Second Pension.

If your birthday is on or after 6 April 1951 (for men) or 6 April 1953 (for women) you will fall into the new State Pension provisions.

For more information on the new State Pension, visit **gov.uk/new-state-pension**.

Get a State Pension statement

If you were born on or before 5 May 1960, you can apply for a written statement estimating how much you will be entitled to under the new State Pension rules. For more information, visit **gov.uk/state-pension-statement**.

Know your limits – tax changes

Don't get caught out!

The Lifetime Allowance is the total amount you can save into a pension, over your career, before tax charges apply. The Government is reducing the amount from £1.25m to £1m from 6 April 2016.

The Annual Allowance is the limit on the amount you can save each year. This is currently £40,000 per annum, but this amount will now be 'tapered' down to £10,000 for those with total earnings of between £150,000 and £210,000.

These allowances are still high and the changes will not affect the vast majority of FuturePlanner members.

TRUSTEES' UPDATE

Welcome to Paul Rees

Paul Rees has been appointed as a Company Nominated Trustee. He is the Head of flight test operations at AgustaWestland in Yeovil. He re-joined the Company in 2012 having previously served between 1992 and 2009.

Paul joins the other two Company Nominated Trustees, John Archbold who is based in HR, Selex ES in Basildon, and Martin Flavell who recently retired from a role in HR in Finmeccanica.

New joint Investment Committee

The Trustees have recently set up a joint Investment Committee with the two legacy Plans within Finmeccanica UK. While these two Plans mainly provide Defined Benefit (DB) pensions for their members, they also have some Defined Contribution (DC) money (for example their AVC options). We believe that by bringing all of the DC assets within the Group together, we will be able to get better deals from our providers.

TRUSTEES' REPORT HIGHLIGHTS

Every year the accounts of FuturePlanner go through an annual audit process. Read on for a summary of the latest report.

Previous reports can be viewed and downloaded at **futureplanner.co.uk/36/report-and-accounts**.

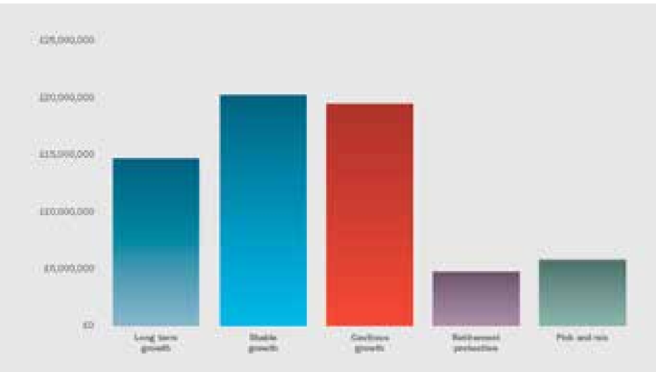
FuturePlanner continues to grow and now has…

2,561 members and assets over **£66.9m**.

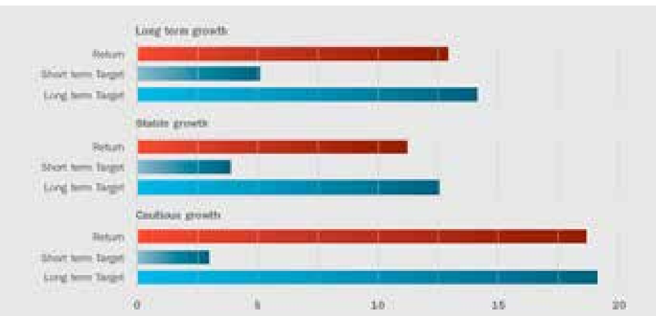
The table below summarises how this growth is recorded in the Plan accounts for the year to 5 April 2015:

Assets of FuturePlanner at 5 April 2014	£49.4m
+ Income (Company contributions, member contributions and other income)	£12.9m
- Outgoings (expenses, insurance premiums)	£ 2.7m
+ Net return on investments (market value of investment movements after allowing for expenses)	£ 7.3m
Assets of FuturePlanner at 5 April 2015	£66.9m

The chart below shows how these assets are split between FuturePlanner's blend funds and the passive funds available under the pick and mix option. More information on the funds is available at **futureplanner.co.uk/3/how-to-invest**.



The three growth funds have long term inflation plus investment return targets and also secondary short term targets which represent what investment markets have done over the period. The chart below shows the returns achieved over the year (to 31 March 2015):



The very positive result from the cautious growth fund is something of an anomaly resulting from its secondary focus on the price of annuities (which have become more expensive). This focus has now been removed for the future. If you would like more information on the performance of the funds you can visit **futureplanner.co.uk/25/old-mutual-wealth**.

Applying best practice

Generally we have found that FuturePlanner applies either 'good' or 'best' practice. However, there are areas for improvement so the Trustees' Report now includes a governance statement in which the Trustees can comment on how they comply with the codes of practice of the Pensions Regulator and other similar guidance.

We go through some detailed assessment work for this part of the Report and you can find a compliance document at **futureplanner.co.uk/172/applying-best-practice**.

Thank you for your time

Do we have your email address?

Register your email address for all the latest FuturePlanner news and to have this newsletter delivered straight to your inbox! (We promise we won't bombard you.)

Sign up for electronic news on the FuturePlanner.co.uk homepage

Help us make the newsletter better

Please take the time to tell us what you think of the new online format. Fill in our quick survey which can be found at the bottom of the newsletter at **futureplanner.co.uk/my-inform**.

Update your Expression of Wish (please)!

It is important to keep your Expression of Wish (EoW) form up to date.

While the EoW form is not binding on the Trustees, it does indicate who you would like to be considered for benefits and will carry great weight with the Trustees as they make their decision.

We would recommend that you renew your EoW form regularly, even if your circumstances have not changed, so the Trustees can be sure that they have an up to date indication of your wishes.

Download the EoW form at **futureplanner.co.uk/37/forms**.