Edition 4 | September 2011

IN FORM

The newsletter for members of FUTUREPLANNER

Investment special

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Inside we will cover:

- The new default investment strategy
- New “pick & mix” options
- Website launch
- New Year renewal

Time to refresh

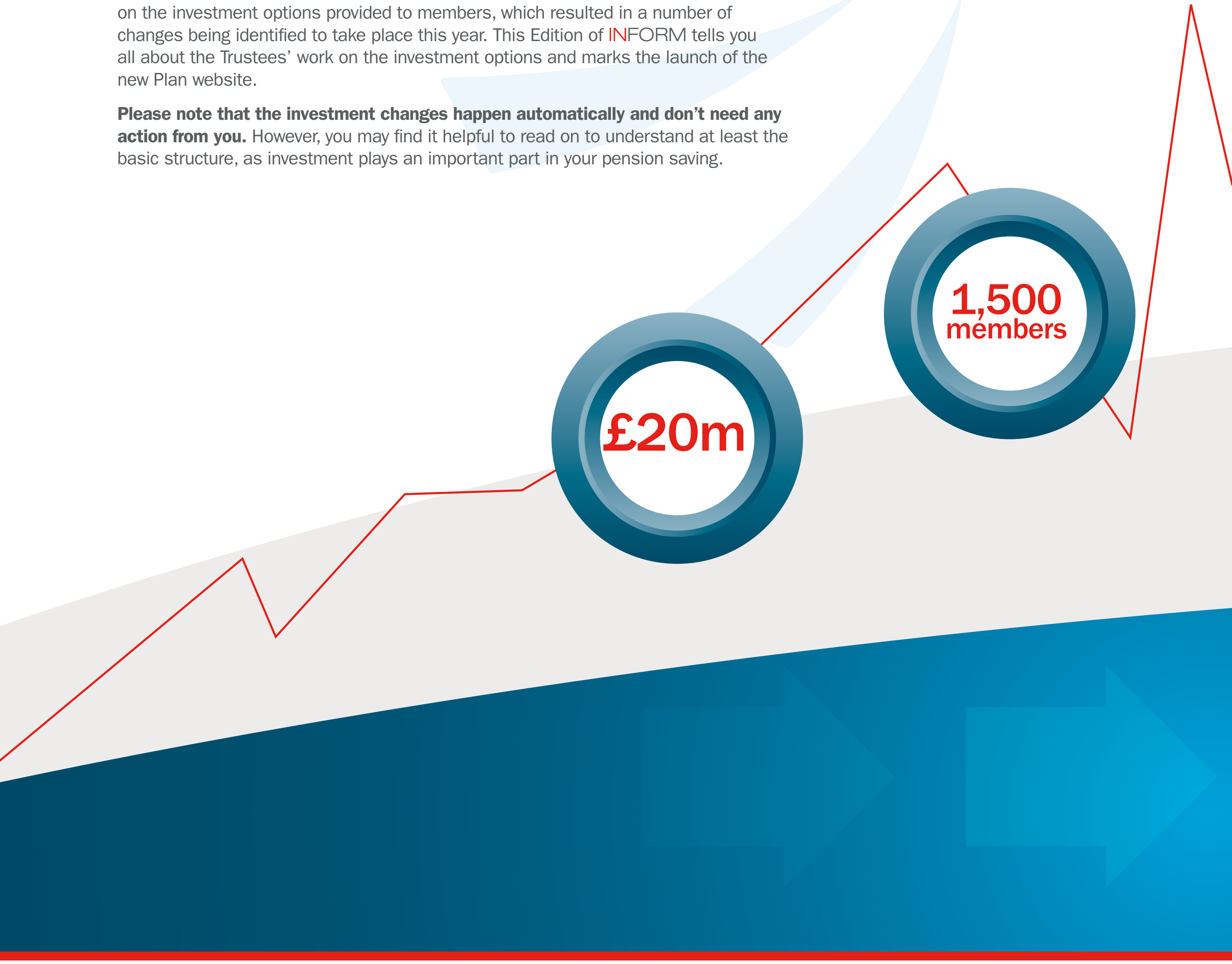
Welcome...

...to INFORM, the newsletter for members of FuturePlanner. Did you know that FuturePlanner is four years old this year? We have grown fast over that time and now have around £20 million in assets and 1,500 members.

With a plan of this size, it becomes possible to do things in a better way and the Trustees have done a lot of work over the past few months refreshing FuturePlanner.

As we mentioned in Edition 3 of INFORM, the Trustees have been focusing on creating an easier to use website and developing the investment options. Earlier this year, the Trustees appointed a company called P-Solve Asset Solutions to give advice on the investment options provided to members, which resulted in a number of changes being identified to take place this year. This Edition of INFORM tells you all about the Trustees’ work on the investment options and marks the launch of the new Plan website.

Please note that the investment changes happen automatically and don’t need any action from you. However, you may find it helpful to read on to understand at least the basic structure, as investment plays an important part in your pension saving.



New and improved investment options

A new investment provider

P-Solve will be supporting the Trustees in a new way. They will advise on the funds to be made available to you and will also create "blend" funds specific to FuturePlanner. For these "blend" funds P-Solve will adjust the components over time between different asset classes.

To make this possible there will be a change in the company that administers the investment funds from Legal & General to Friends Life.

The default investment strategy – managed for you

FuturePlanner began with a small range of passive investment funds. Almost 90% of FuturePlanner members are investing in these through a "lifestyle" default investment strategy that is set by the Trustees.

The default strategy is intended to be suitable for the needs of most members, particularly if you do not want to be actively involved in day-to-day investment decisions. It allows the Trustees to invest your Retirement Account in growth assets for most of your working life. As your career progresses, more protection from market volatility is introduced and as you get close to retirement, a level of protection is provided from variations in the cost of buying an annuity.

Up to now, the growth phase of the default strategy has involved investing in a global equity fund, with switching into safer assets taking place over the last five years of employment. Based on advice from P-Solve, the Trustees have decided to do two things:

1. Improve the growth phase

P-Solve will create three "blend" funds with different "inflation plus" targets. These funds will invest in equities and other types of growth asset. P-Solve will adjust the components of the funds over time between different asset classes, based on their views of the opportunities and risks within investment markets and the overall return the fund is seeking. The intention is that the growth of the fund will be smoother than the current approach of investing only in equities.

There will also be a fourth "blend" fund with a "matching" target that will provide retirement protection, in a similar way to the current arrangements.

Details of the four blend funds are shown in the table below. Each of the funds are administered by Friends Life, although there may be several different underlying investment managers chosen by P-Solve within the funds.

Blend fund name	Long term target	Risk Level	Charge (pa)
Long term growth	Inflation + 5%	High	0.95%
Stable growth	Inflation + 4%	Medium	0.95%
Pre-Retirement wealth builder	Inflation + 3%	Medium	0.85%
Retirement protection	Match bonds and cash	Medium/Low	0.5%

You can find some important information about the Risk level and Charges on page 6 of this newsletter.

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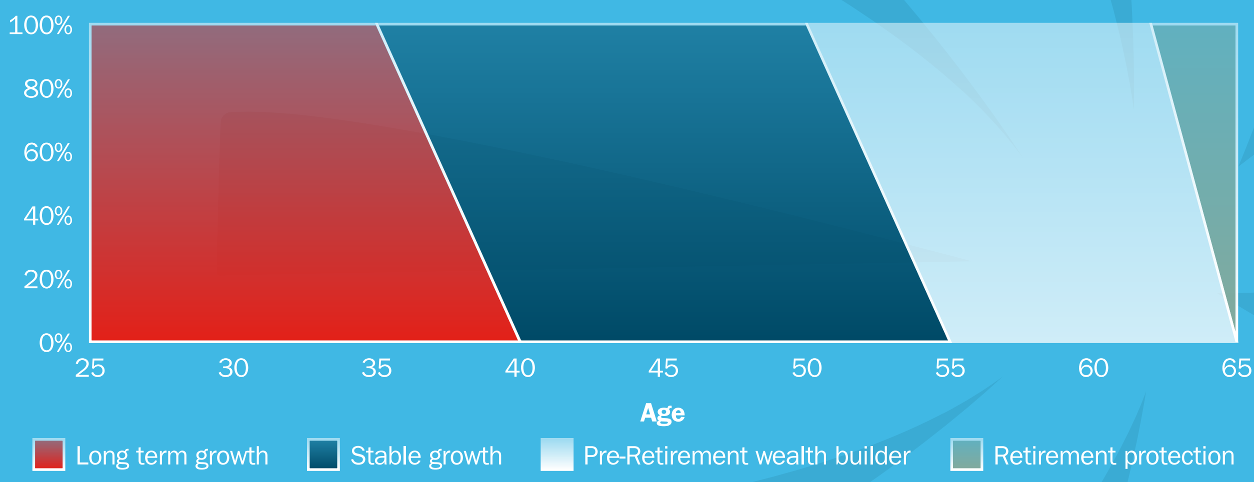
2. Improve "lifestyle" switching

Currently, the default strategy invests in a global equity fund right up until five years before retirement. The new strategy will switch between the "blend" funds progressively through your career with the intention of making the growth smoother. The final move away from risky funds will be a little later, over the final three years of employment.

The table below shows the switching periods and the chart illustrates how the new strategy will work for someone with a Target Retirement Age of 65:

	Phasing Period (Years Before Target Retirement Age)	
Long term growth	N/A	
Stable growth	30	25
Pre-Retirement wealth builder	15	10
Retirement protection	3	Retire



Retirement age

The lifestyle switching of the default strategy depends on the date you hope to retire, which is known as your Target Retirement Age. You can choose any age from 55 (the legal minimum retirement age) – although clearly you need to be realistic about how much saving would be needed if you want to retire as early as that.

For those who have not yet chosen their Target Retirement Age, the Trustees have previously made an assumption that this would be age 65 (known as the default Target Retirement Age). This choice of default age has been thrown into question by the trend of people retiring later and the Government's recent decision to remove the option for employers to enforce retirement at age 65. So, it has been decided that FuturePlanner will use State Pension age as the new default Target Retirement Age. This is because the State Pension is a significant part of retirement savings and many people will plan to draw all of their benefits at the same time. Age 65 will continue to apply for those women with a State Pension age below this.

Going forward, if you don't choose your own Target Retirement Age, lifestyle switching will take place on the basis of the number of years remaining to your State Pension age. So, for example, if your State Pension age is 68, your Retirement Account will move gradually from the Long Term Growth Fund to the Stable Growth Fund between ages 38 and 43.

WWW.

If you are not sure when your State Pension age is, you can find out at **http://pensions-service.direct.gov.uk/en/state-pension-age-calculator/home.asp**.

REMEMBER, you can select a Target Retirement Age of your own choice at any time and the Trustees would adjust the switching to the revised target date over time as reasonably practicable.

"Pick & mix" – you select

If you don't think the default strategy is appropriate for your circumstances or you wish to manage the investment of your Retirement Account more actively, you are able to make your own "pick & mix" selection from a range of funds made available by the Trustees.

Currently four passive funds are available – a global equity fund, two bond funds (UK and overseas) and a cash fund. The Trustees have decided to extend this range and there will now be eight funds available, split into two groups:

Group 1

You can select from the three "blend" funds that are used for the growth phase of the default strategy. This means that you would be relying on the skills of P-Solve and the underlying investment managers to achieve the inflation plus target for your Retirement Account.

Group 2

You can use the new equivalents to the current four passive funds for the major types of asset and one additional passive fund (index-linked bonds) which would be suitable for those who are seeking protection from inflation. Passive investment means that the manager aims to provide returns in line with the average or "index" return for that asset.

You will be able to choose funds from across these two groups.

The full list of "pick & mix" funds and the charges associated with them is as in the table below:

	Long term target	Risk Level	Charge (pa)
Blend Funds			
Long term growth	Inflation + 5%	High	0.95%
Stable growth	Inflation + 4%	Medium	0.95%
Pre-Retirement wealth builder	Inflation + 3%	Medium	0.85%
Passive Funds			
Global equity	Match the index return for 30% UK equities, 60% developed market equities and 10% emerging market equities	Very high	0.4%
Corporate bonds	Match the index return for corporate bonds	Medium	0.325%
Government bonds	Match the index return for over 15 year Government bonds	Medium/Low	0.325%
Government index-linked bonds	Match the index return for over 5 year inflation linked Government bonds	Medium/Low	0.325%
Cash	Match a cash return	Low	0.4%

The funds will be administered by Friends Life, although the underlying investment manager may change from time to time. Factsheets will be made available every quarter on the FuturePlanner website, **www.futureplanner.co.uk**.

- **Please note:** That you must choose between the default strategy and "pick & mix". If you select the default strategy then 100% of your Retirement Account must be invested that way.

Switch for free

Currently, if you switch your "pick & mix" investment funds more than once each year, FuturePlanner will impose a charge for the administrative costs. Because of the bigger range of funds now available, the Trustees have decided to discontinue the charge for the time being – so you will be able to switch more frequently in future without concern over there being any cost of doing so.

- **Please note:** That the Trustees have the right to re-introduce switching charges if they think that is appropriate.

Investment charges

You will see from the tables on pages 3 and 4 that there are investment charges levied on your Retirement Account each year. These charges relate to the costs of investment advice, administration and management. They vary with the fund you select and for the "blend" funds depend on the underlying investment managers chosen by P-Solve. So, the charges are reviewed regularly and can vary over time. The charge does not include any varying operational expenses incurred by the underlying fund managers. The size of the charge is related to the complexity of the fund, so it is hoped that the higher charges will be reflective of a better result in terms of risk and return.

The charges apply as a percentage of the value invested in the fund. For example, if you were invested in the Long Term Growth blend fund, the charge is 0.95% each year – so for each £100 invested, you would pay 95p per year.

By comparison with the current charges, the "blend" funds are a bit more expensive and the "passive" funds are a bit cheaper.

Risk levels

The risk level is an indication of how volatile or variable the fund value is likely to be on a day to day basis as well as the fund's potential for drawdown or loss. It is therefore a measure of how much the fund value could change on a day to day basis with a focus on downside risk.

Pension investment is typically designed for the longer term. A fund like the cash fund can be shown as low risk (reflecting low variability of returns and low potential for loss), but if members remain invested in cash for many years from an early age, it could be seen as high risk given that the increase in fund value may not keep up with inflation.

Implementation

The changes to FuturePlanner will take place automatically, as summarised below:

- If you currently have a Target Retirement Age of 65, this will change to match your State Pension age (or stay at 65 for those women who have a State Pension age of less than this).
- If you currently invest in the default strategy created by the Trustees, your Retirement Account will be automatically switched to the new default strategy using FuturePlanner's new blend funds.
- If you currently invest on a "pick & mix" basis, your Retirement Account will be automatically switched to the equivalent funds in the new range, shown opposite:

Old fund	Will be switched to	New equivalent fund
Global equity		Global equity
Overseas bonds		Corporate bonds
UK bonds		Government bonds
Cash		Cash

There is quite a lot of work involved to make these changes, so there will need to be a "blackout" period from 10 October to 11 November 2011. During this time you will not be able to make any changes to your Retirement Account to enable the investment managers to do their work. Also, the contributions deducted from your October 2011 salary will be invested a little later in the following month than is normally the case.

You don't need to take any action in response to these changes.

At the end of the "blackout" period, you will be able to make any changes you want – for example, to select a different Target Retirement Age. The Trustees will also be contacting members who currently invest on a "pick & mix" basis, in case they wish to take advantage of the bigger range of funds available after the blackout period has finished.

New and improved website

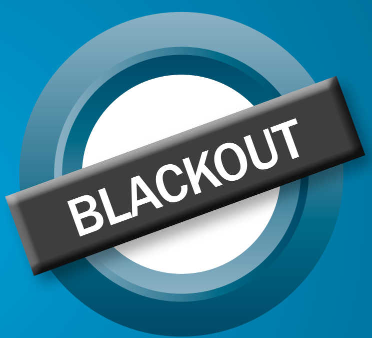
FuturePlanner has a good website that a lot of members already use frequently.

The Trustees would like to communicate in this way with you more in future, so they've been creating a site which is easier to use.

The new, improved website is now available at **www.futureplanner.co.uk**, where you will find more information and tools to help you understand and explore your pension options.

In the future, the Trustees will also be communicating with you more by email. When you joined FuturePlanner, the Trustees collected your email address, but please make sure you keep us up-to-date if this changes.

You can register your email on the website or contact Aon Hewitt, using the details on the back page, to update your current address.



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New Year renewal

The "renewal date" for FuturePlanner is 1 November 2011, which is the annual opportunity to change your contribution rate.

From next year, we're moving the annual renewal date to be in line with the calendar year – so from December 2012, as you set New Year resolutions, you could also check whether your pension savings are on track! This means that if you don't make any changes to your contribution rate by 1 November 2011, your next opportunity will be 1 January 2013. Please take some time to consider if you want to make any changes.

How to change your contribution rate

Any contributions you make to FuturePlanner up to 5% are matched on a "two for one" basis by your employer. So, for every £1 you put into FuturePlanner, your employer will put in £2.

Increasing contributions

If you are paying less than 5%, you can increase your contribution up to a higher matching level. Your increased contribution will then be matched by your employer on the "two for one" basis (up to the maximum 5%). It will also be subject to Smart if you have previously chosen to participate in Smart.

Reducing contributions

You are able to reduce your ordinary 1% – 5% contributions, as long as you have been a member of FuturePlanner for at least 12 months.

If you would like to change your matched contribution rate now, please contact Aon Hewitt using the details below to obtain the necessary form or download the 'Contribution Change Form' from **www.futureplanner.co.uk**.

This form must be returned to Aon Hewitt by Tuesday 1 November 2011.

Voluntary contributions and changes at other times in the year

It is possible to change your contributions at other times of the year provided that you give one month's notice. Any increase above your normal contribution rate will be classed as a voluntary contribution until the next renewal date. From the next renewal date, increased amounts are eligible for the matched contribution from your employer (up to the maximum 5%) and would be subject to Smart if you have chosen to participate in Smart. Contributions above 5% will always be voluntary contributions which can be increased, reduced or stopped at any time during the year on one month's notice.

CONTACT DETAILS

You can contact the FuturePlanner administration team at Aon Hewitt by:

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Edition 4: September 2011