



Pensions News

A PENSION PLAN REPORT TO MEMBERS

THE PLAN'S
ADVISORS

Auditor



Banking



Scheme Actuary
Susan Hoare FIA



Final Salary
Administrator &
Investment
Consultant



Money Purchase
Administrator &
Investment Adviser



Legal Advisor



Investment Managers



AVON RUBBER RETIREMENT AND DEATH BENEFITS PLAN ("the Plan") REPORT TO MEMBERS FOR THE YEAR TO 31 MARCH 2013

Message from the Chairman of the Trustee Board

Welcome to the Avon Rubber Retirement and Death Benefits Plan 2013 Trustee Newsletter.

We welcomed two new Trustee Directors to the Trustee Board during the year. In October 2012 Rob Wills, Plant Manager of the Company's Hampton Park West facility, replaced David Weston as Company nominated Trustee Director. Then, earlier this month and following this year's Member Nominated Director (MND) election process, we welcomed David Little to the Trustee Board in place of Brian Hatton, who has now retired. No further nominations were received from members following my April letter relating to the MND election process and so Eric and David were automatically selected as MNDs for the 4 year period commencing on 1 October 2013. I would like to thank David Weston and Brian Hatton for their service on the Trustee Board and wish Brian in particular a very happy retirement.

During the year, day to day management of the Plan has continued as usual. This has included monitoring the Plan's investments and making discretionary decisions on early retirements and death benefits at quarterly Trustee meetings. We have also monitored the financial strength of Avon Rubber p.l.c. and I am pleased to report that this continues to improve.

During the last year we have worked closely with our Investment Consultants at Mercer to ensure the money the Plan has invested is delivering the returns needed to pay pensions now and in the future. We have met with BlackRock, Skagen and Shenkman Capital and we have identified two new managers we will be looking to invest funds with later this year. This year's audit, conducted by KPMG, passed off smoothly once again. I was delighted to see that the Plan's control environment remained highly rated against a peer group assessed by KPMG.

Lastly, our website for members includes a link to this newsletter and other information relating to the Plan and can be accessed at <http://pensions.avon-rubber.com>. If there is anything else you would like to see in future editions, or if you have any comments about this newsletter or the Plan in general, please contact the administration teams. Contact details can be found on the last page.

Miles Ingrey-Counter
Chairman of the Trustee Board

MEET THE TRUSTEE
DIRECTORS



Miles Ingrey-Counter
(Chairman)



Eric Fielding
(Member Nominated)



Andrew Lewis
(Company Nominated)



Brian Hatton
(Member Nominated-retired 1 October 2013)



David Little
(Member Nominated-appointed 1 October 2013)



Sarah Matthews-DeMers
(Company Nominated)



Rob Wills
(Company Nominated)

Key facts and figures

Money purchase members as at 31 March 2013

Total number of members:	
Brought forward from last year	125
New entrants (new employees)	24
Exits	(11)
Active members on 31 March 2013	138
Deferred money purchase members with preserved pensions	56

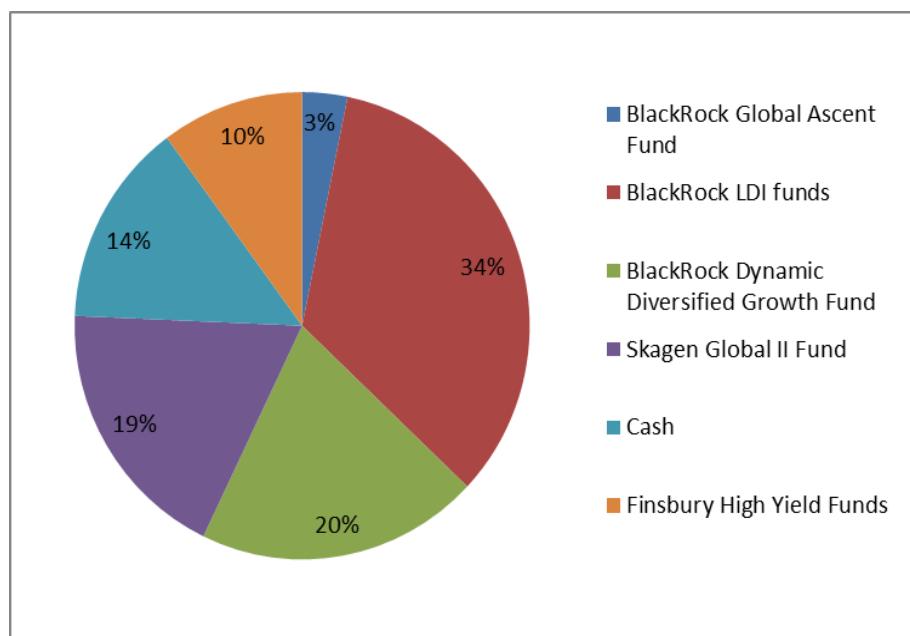
Final salary category members as at 31 March 2013

	Year ended 31 Mar 12	Year ended 31 Mar 13
Ex-members with preserved final salary pensions	1,858	1,761
Pensioners	2,914	2,646
Total	4,772	4,407

Summary of money coming in and going out of the plan

	Year ended 31 Mar 12 £(000)	Year ended 31 Mar 13 £(000)
Value of the Plan at start of year	272,496	294,229
Money coming in less money going out	(13,744)	(14,741)
Change in market value of investments	35,477	36,862
Value of the Plan at end of the year	294,229	316,350

Percentage of assets split by investment manager as at 31 March 2013



Investment performance

In line with the positive performance of global equity markets the return seeking part of our portfolio performed well. The liability driven investment (LDI) portion of the portfolio, which is designed to hedge future interest rate and inflation risks, also showed gains in the period as real and nominal gilt yields fell. The investment gain in the LDI will have been mirrored by a rise in the actuarial value of liabilities as they are measured using gilt discount rates.

Scheme Actuary's Report

The Trustee Board is responsible for ensuring that sufficient contributions are paid into the Plan to cover benefits payable in accordance with the Rules and to build up funds to pay for future benefits. Benefits in the Money Purchase section are determined by a combination of contributions paid by members and the Company and investment income earned. The employer pays an amount specified in the Rules that depends on each member's chosen contribution rate.

Since the closure of the Final Salary section of the Plan in 2009, benefits in the Final Salary section are paid for by a combination of contributions paid by the Company and investment income earned.

The amount of contributions to be paid is agreed between the Company and the Trustee and recorded in a Schedule of Contributions. The Trustee Directors are advised by the Scheme Actuary who helps them agree appropriate assumptions with the Company for calculating contributions. Once the assumptions are agreed the Scheme Actuary assesses the amount of money in the Plan relative to the benefits that must be paid out, both now and in the future. This assessment is known as an actuarial valuation of the Plan, and is normally carried out every three years - the latest being at 31 March 2011. The valuation showed a funding shortfall of £4.3M at 31 March 2011, which meant that the Plan was 98% funded on a continuing basis. The Trustee and Company agreed a schedule of payments to remove this shortfall and over the year to 31 March 2013 the Company paid £500,000 in line with the agreed schedule.

Earlier this year we told you about the Scheme Actuary's formal update of the funding position as at 31 March 2012, which showed that the shortfall had increased to £18.9M at that date. The Scheme Actuary will shortly be preparing an update at 31 March 2013 which we will be telling you about in our 2014 communications – we are expecting this to show a much improved funding position at 31 March 2013, mainly due to positive investment returns on the Plan's assets.

Information update

Transfer Value statements for deferred members

As an alternative to retaining deferred benefits within the Plan, deferred members have the option to transfer their pension benefits to either their current employer's pension scheme (provided that it is willing and able to accept the transfer), or another approved pension arrangement.

The transfer would take the form of a capital sum (known as a "cash equivalent" transfer value) paid direct to your nominated pension arrangement and represents the cash value of the deferred benefits at that time.

If you are interested in transferring your benefits to another pension scheme, please contact our administrators (their contact details are on the following page). Once you have received a transfer value quotation, the provider of the arrangement you would like to transfer into will be able to tell you what benefits will be provided under their pension arrangements, ahead of any transfer taking place.

If you are considering transferring your benefits, you may wish to take the advice of an Independent Financial Adviser (IFA). You can find an adviser in your area at www.unbiased.co.uk.

Pensions liberation – warning against early release pension offers

The Avon Rubber Plan is a UK registered pension scheme for the purposes of the Finance Act 2004. This means that the Company, members and the Plan itself all receive valuable tax concessions, but in return there are certain restrictions on how and when the benefits can be provided. Normally no benefits may be taken before the day on which members reach age 55 unless an ill health condition is met.

However, 3 major governing bodies have recently issued a joint warning about schemes claiming to allow members access to their money sooner by borrowing from their pension funds. This may be described variably as 'pension liberation', 'pension reciprocation' or 'pension loans'. In these types of arrangement, typically your pension fund is transferred to a new scheme - possibly based overseas. Your fund is then made available to you as a cash payment (either wholly or partly) and is often described as being tax free.

Converting your pension fund to cash might sound attractive but these arrangements pose significant risks. Amongst other things, you are likely to have to pay high administration charges to the new scheme, and you may also face a significant tax bill from HM Revenue & Customs for accessing your benefits early. Members are therefore urged to treat any arrangements offering them the chance to access their pensions early with caution. Our administrators, Mercer, will be happy to check if the receiving scheme is an approved arrangement.

Auto-enrolment

As mentioned in last year's Newsletter, the Government has established a process for automatically enrolling employees into a pension scheme to ensure we are all saving for retirement. In future, employers will need to enrol all new employees in a qualifying pension scheme. Avon Rubber's implementation date is 1 May 2014 and the Company intends to use the Money Purchase (Defined Contribution or "DC") section of the Plan as its auto-enrolment scheme. The Trustee is currently working with Avon Rubber and the Trustee's legal and DC advisers to ensure our Plan meets all the requirements of an auto-enrolment scheme. During this project we will also be reviewing the DC fund provider to ensure this remains appropriate for our membership and the Company will in future be providing members with the opportunity to enrol in a salary sacrifice arrangement. Avon Rubber will be delivering presentations covering any changes to small groups of employees in due course.

Further information

Final Salary Plan Administrators: Mercer Consulting Limited – PO Box 505, Chichester PO19 9AF. Member Helpline: 0800 046 6183

Money Purchase Plan Administrators: Fidelius – Alexander House, James Street West, Bath, BA1 2BT. Member Helpline: 0800 294 0096

Trustee Report & Accounts

The Trustee Directors publish a formal Report and Accounts each year that covers some of the items outlined in this report. Please ask Mercer if you would like a copy or a copy of the Funding Review by the Scheme Actuary. You should write to Mercer if you would like to see the Plan's Trust Deed and Rules or if you want a further copy of the current Members' Booklet. All of these documents are available on the Plan's website at: <http://pensions.avon-rubber.com>.

Internal Dispute Resolution

If you do have any problems with the Plan it is hoped that these can be resolved by the Administrators. If necessary, however, the Trustee Directors have prepared a formal process for dealing with member disputes. Further details of this are available from Mercer or Fidelius. You may also be able to obtain assistance from the following external bodies:

The Pensions Advisory Service Ltd (TPAS)

TPAS is available to assist members and beneficiaries of the Plan with difficulties that they may have failed to resolve with the Trustee Directors or Administrators. The web address is: <http://www.pensionsadvisoryservice.org.uk>.

The Pensions Ombudsman

The Pensions Ombudsman has the power to investigate and decide upon complaints and disputes involving occupational pension schemes. He will normally expect to act only when a matter has been through the Plan's Internal Dispute Resolution Procedure and referred to TPAS and not satisfactorily concluded. The web address is: <http://www.pensions-ombudsman.org.uk>.

The Register of Occupational and Personal Pension Schemes

Details of this Scheme, including a contact address for the Trustee Board, have been given to the Registrar. The Registrar's main purpose is to provide a tracing service for ex-members of schemes with pension entitlements, and members' dependents, who have lost touch with earlier employers.

The web address is: http://www.direct.gov.uk/en/Pensionsandretirementplanning/Companyandpersonalpensions/DG_10027189.

If you need to contact the Registrar, the telephone number is 0845 6002 537 or you can write to Pension Tracing Service, The Pension Service, Tyneview Park, Whitley Road, Newcastle Upon Tyne, NE98 1BA.

State Pension

If you would like a forecast of the State Pension payable to you, please contact Future Pension Centre, The Pension Service, Tyneview Park, Whitley Road, Newcastle Upon Tyne, NE98 1BA. Telephone Number: 0845 3000 168

The web address is: http://www.direct.gov.uk/en/DI1/Directories/DG_180024