

PensionNews

A Pension Plan Report to Members on behalf of the 'Avon Rubber Retirement and Death Benefits Plan'

**Your Pension.
Your Future.**

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Message from the Chairman of the Trustee Board



Miles Ingrey-Counter
Chairman of the Trustee Board

Welcome to the latest Avon Plan Trustee Newsletter.

As Avon Rubber has continued to grow, the focus of the Trustee Board has changed and this is reflected in this year's newsletter. The Plan's Defined Contribution (DC) section now has well over 200 members and this newsletter is addressed to them in addition to our Defined Benefit (DB) section members.

The last year has seen an increased focus in the UK on the governance standards being applied to DC schemes and I am pleased to report that the Avon DC section was successfully audited against these new standards for the first time during the year. The Plan's DC section investments have continued to be managed by Standard Life over the last year. We have been very pleased with the standard of service provided to members by Standard Life but I take this opportunity to remind all of our DC members to ensure they review the funds they are invested in, particularly if you are invested in the default fund. You can log onto the Standard Life portal to see your investments, access correspondence from Standard Life and create illustrations of your estimated pension at retirement. Current employees will be invited to presentations on their DC pensions in the coming months to reinforce this message.

Following the introduction by the Government in 2015 of new pension rules on accessing pension benefits, we have seen an increased level of enquiries to our DB section administrators Mercer during the year relating to transfer values and options at retirement. As a reminder the summary of these changes is reproduced later in this newsletter. We have monitored Mercer's service levels during this period and, whilst the initial increase in the level of enquiries created a backlog which affected response times, this was quickly addressed by Mercer. Activity levels remain high and DB members with enquiries are reminded that each retirement quotation costs the Plan money and you will be expected to talk to Mercer about your requirements before multiple quotes are processed for individual members. This is to ensure members are provided with the information they need to make decisions whilst minimising the cost to the Plan.

This year we have reviewed the financial strength of Avon Rubber p.l.c. as part of the 2016 actuarial valuation of the Plan's Defined Benefit liabilities. This is the process where the Trustee Board works with the Scheme Actuary and the company to value the assets and liabilities of the Plan, with the aim of making sure that the company's future contributions address any deficit over time. This year the process also included a detailed review of the investment strategy for the DB section. Discussions with the Company around contribution levels have been very positive and the results of the valuation will be provided later in the year.

The make-up of the Trustee Board has changed once again since the last newsletter with the departure of Sarah Matthews-DeMers, Avon's Associate Group Finance Director. I thank Sarah for her significant contribution to the Trustee Board and wish her well for the future. There are now two vacant Company nominated positions on the Trustee Board which we are working with the Company to fill in the next few months. Due to the changes to the Company nominated positions, we have agreed to extend the terms for the two member nominated Trustees for a further 12 months.

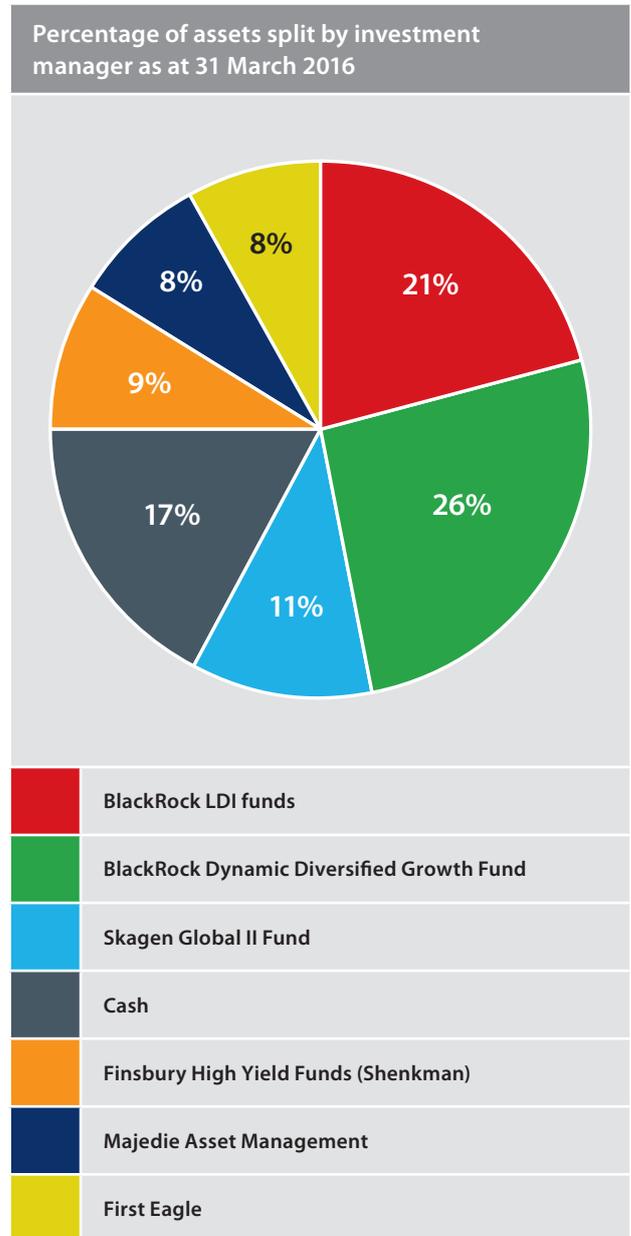
The day to day management of the DB section has continued successfully during the last year. We have, as usual, worked closely with our investment consultants at Mercer to ensure the money the Plan has invested is delivering the returns needed to pay pensions now and in the future. Our website includes a link to this newsletter and other information relating to the Plan, which can be accessed at www.avon-rubber.com/pensions. 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.

Key facts and figures

Defined Contribution section members as at 31 March 2016	
Total number of members:	
Brought forward from last year	179
New entrants (new employees)	52
Exits	(24)
Active members on 31 March 2016	207
Deferred Defined Contribution members with preserved pensions	79

Defined Benefit Section members as at 31 March 2016		
	Year ended 31 Mar 15	Year ended 31 Mar 16
Ex-members with preserved final salary pensions	1,619	1,560
Pensioners	2,049	2,032
Total	3,668	3,592

Summary of money coming in and going out of the Plan		
	Year ended 31 Mar 15 £(000)	Year ended 31 Mar 16 £(000)
Value of the Plan at start of year	299,547	325,238
Money coming in less money going out	(16,575)	(15,072)
Change in market value of investments	42,266	(3,638)
Value of the Plan at end of the year	325,238	306,528



Defined Benefit (DB) section focus

Actuarial valuation

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.

Since the closure of the DB section of the Plan to future accrual in 2009, benefits in the DB 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.

An actuarial valuation as at 31 March 2016 has been undertaken which included discussions with the Company about the contributions required in future. We will write to you with the usual Summary Funding Statement following the conclusion of the exercise later in the year, but we are pleased to report that we have agreed a significant increase in Company contributions.

Alongside the actuarial valuation, we have also considered the future investment strategy for the Plan – both in the short term and longer term – and have consulted the Company on some proposed changes (as we are required to do). We are working with our investment advisers to implement the agreed changes.

Defined Contribution (DC) section focus

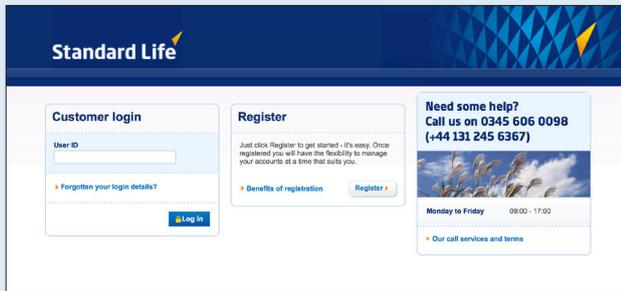
Benefits in the Defined Contribution section are determined by a combination of contributions paid by members and the Company and investment income earned. The Company pays an amount specified in the Rules that depends on each member's chosen contribution rate.

This is a valuable benefit provided by the Company and we want members to be in a position to get the best possible outcomes from this. We have partnered with Standard Life to provide a wide range of funds for members to invest in the DC section has a wide range of funds you can choose to invest in and Standard Life offer a great online portal to access all the information you might need in relation to your personal benefits and the options available to you.

For further information regarding joining the pension plan, receiving tax benefits from the Government and also receiving additional contributions from the Company you can visit the Standard Life Avon portal at:

www.standardlifepensions.com/avonrubber

Manage your pension online at: www.standardlife.co.uk/1/site/employeezone/login



The Trustee Board has spent a significant amount of time over the last 12 months looking at the operation of the DC section and considering the actions we need to take to improve the member experience. If you have any ideas or suggestions you feel worth our consideration please contact us. We have identified some clear actions we will be taking in the near future, including:

- Reviewing the default fund to ensure it remains suitable for the Avon membership. Around 81% of our Plan members are currently invested in the default option.
- Reviewing the range of funds available to members. Having a range of funds is desirable to ensure members have sufficient options for the investment actions they may want to take. However, having too many funds can be confusing and/or a little daunting for some members and a big time commitment for the Trustee in terms of monitoring these funds. A large proportion of the funds available are not currently used by our members so we intend to review the funds to ensure we have a targeted (but still wide) range of funds available making it easier for members to understand the choices they have.

Also our Cyclical Automatic Re-enrolment Date, previously known as Triennial Review, which occurs approximately every three years, is due this year. To keep you up to date and informed regarding this and the other actions we are looking to put in place we will be looking to conduct some employee briefings this spring – watch this space!

What can I do online?

When you log on, you can:

Check your pension value

You can see what your current pension value is, and what it might be worth when you retire. This will help you keep on track and see if you need to change your payments.

Check your payments

Keep up to date with your payments and see if you need to change the amount you're paying.

Review your investments

You can see how your funds are performing and change your investments online.

Update your details

Keep your personal information and contact details up to date so we can keep in touch.

How do I get access?

Your username and password

Once you receive your certificate of membership, you can register for online servicing by clicking on the link below.

You can log in and manage your pension anytime during the following hours:

- Monday to Friday, 7am - midnight.
- Saturday and Sunday, 7am - 11pm.

Get the mobile app

The Standard Life mobile app lets you:

- View your pension and any other investments you have with Standard Life.
- Browse confidently.

Latest News

Lifetime Individual Savings Allowance (LISA)

From April 2017, anyone under age 40 will be able to save up to £4,000 in a LISA up to the age of 50. The Government will top this up with an additional 25% (of the amount saved) each year.

The money can then be accessed before the age of 60 to help towards buying a first home, or from age 60 for retirement.

Savers will be able to withdraw the money for any other purpose at any time, but they will lose the 25% Government bonus and face a 5% tax charge.

Further information is available on the Government website at: www.gov.uk/government/publications/lifetime-isa-explained

Pension tax allowances

The Annual Allowance is the total amount of pension savings you can make each year without incurring a tax charge. For most people it is £40,000 for the 2016/17 tax year. However, with effect from 6 April 2016, the Annual Allowance was reduced for anyone with 'adjusted income' of more than £150,000. (Adjusted income is earnings plus the value of pension benefits built up.)

Also, if you choose to 'draw down' from your pension benefits, you will be automatically subject to a reduced Annual Allowance of £10,000.

The Lifetime Allowance is the amount of overall pension savings you can build up during your lifetime which qualifies for full tax relief. With effect from 6 April 2016, the Lifetime Allowance reduced from £1.25 million to £1 million. If you take benefits above this level you will face a tax charge. Your pension benefits from all sources (including AVCs, other employers' pension plans and any personal pension arrangements, but excluding the State Pension) are measured against the Lifetime Allowance when you retire.

Tax thresholds

From April 2017, the tax-free personal allowance will increase to £11,500 and the higher rate income tax threshold will rise to £45,000.

Brexit

The outcome of the EU referendum last year was a surprise to many and it has introduced uncertainty across financial markets. When there is uncertainty, it is reasonable to expect some volatility – that is, short-term ups and downs - on some investments.

Immediately after the result we saw some big changes in the value of some shares and sterling, but this is not unusual. It's an example of how the markets react to different events around the world. Overall, investments always go up and down over time.

Some of the changes we have seen may be longer lasting however, so if you have DC benefits (including AVCs), now is a good opportunity to take stock, review how they are invested and make any changes you feel are necessary. Remember: if you are unsure how to invest, consider talking to an independent financial adviser (see page 8).

If you are in the Defined Benefit (DB) section, as a Trustee Board, we are responsible for deciding how the DB assets are invested, but we factor volatility in the markets into our planning. We have in place a broad and robust investment strategy that is designed to support the Scheme even when financial markets are going through a difficult period. We will continue to monitor the investments with our advisers and make any changes we believe are necessary.

Recap on retirement options

In the last member newsletter, we told you about some changes introduced in April 2015 in relation to how you can access your DC benefits.

- You can buy an annuity with your DC benefits, to provide you with a guaranteed, stable income for life (but you no longer have to do this).
- You can choose to take your DC benefits as cash only, either in instalments or as a one-off sum.
- You can take an income as and when you want to and continue to invest the rest, known as 'income drawdown' (you will need to transfer out of the Plan into another arrangement to do so).
- In all cases, you can take up to 25% of your DC benefits as a tax-free cash sum (under current law).

You can also combine any of the options to suit your circumstances, but note that you may need to transfer out of the Plan to do so.

Members of the Defined Benefit section can also access these options by transferring benefits out of the Plan into a suitable DC arrangement. We strongly recommend that you take independent financial advice before proceeding with a transfer out and if the value of your benefits is £30,000 or more, you are legally required to take independent financial advice before doing so.

The Government has also recently taken steps to help savers understand the new retirement options. If you are over age 50, have benefits within a DC scheme and are interested in taking advantage of one of the new choices at retirement you can contact Pension Wise, a free and impartial service provided by the Government.

To arrange an appointment or find out more visit: www.pensionwise.gov.uk

Savings

There will be a new savings scheme for people on lower incomes, called Help to Save. The savings limit for ISAs will also increase to £20,000 from April 2017 next year.

Meet the Trustees



Miles Ingrey-Counter
(Chairman)



Eric Fielding
(Member Nominated)



David Little
(Member Nominated)



Rob Wills
(Company Nominated)

There are now two vacant Company Nominated positions on the Trustee Board which we are working with the Company to fill in the next few months.

The Plan's advisors

Auditor



Investment Managers

BLACKROCK



Banking



Scheme Actuary Susan Hoare FIA



Defined Contribution Provider



Final Salary Administrator & Investment Consultant



Legal Advisor



Further information

By law, no-one involved in your Scheme can give you advice about your pension arrangements. If you are thinking of making any changes to your pension arrangements at any time, you should obtain as much information as you can and think about obtaining independent financial advice. The Financial Conduct Authority (FCA) has a website www.fca.org.uk where you can find out more about finding and using a suitably qualified financial adviser. Alternatively, the website www.unbiased.co.uk will help you find an adviser in your area.

DEFINED BENEFIT PLAN ADMINISTRATOR



Mercer Consulting Limited, 1 Whitehall Quay,
Whitehall Road, Leeds, LS1 4HR
Member Helpline: 0800 046 6183
Email: avon.rubber@mercer.com

DEFINED CONTRIBUTION PLAN ADMINISTRATOR



Standard Life, Dundas House, 20 Brandon Street,
Edinburgh, EH3 5PP
Member Helpline: 0800 634 7479
www.standardlifepensions.com/avonrubber

TRUSTEE REPORT & ACCOUNTS

The Trustee Directors publish a formal Report and Accounts each year that covers some of the items outlined in this newsletter. 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.

www.avon-rubber.com/pensions

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 a formal process for dealing with member disputes. Further details of this are available from Mercer or via our website. 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.

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. It 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.

www.pensions-ombudsman.org.uk

The Pension Tracing Service

The Pension Tracing Service enables ex-members of schemes with pension entitlements, and members' dependents, who have lost touch with earlier employers. If you need help to locate a former employer's scheme, please contact:

The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU
Telephone: 0345 6002 537

www.gov.uk/find-lost-pension

State Pension

If you would like a forecast of the State Pension payable to you, please contact:

Future Pension Centre, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU
Telephone: 0345 3000 168

www.gov.uk/future-pension-centre