PILKINGTON
REFLECTIONS

UP AND RUNNING!

THE SCHEME'S new website www.superpilk.com became reality on 19th February 2001. If you have access to the net then here is an easy way of finding a variety of information about the PSS.

FOR INSTANCE

- the Member booklet
- forms for updating Declarations of Wish
- the Scheme's accounts
- the pension increase history
- the current, largest investments

www.superpilk.com FOR HOT NEWS

Potentially its a very quick way of publishing information – the results of recent trustee elections were put up on the Announcements/News page within a couple of days of the counts.

It also opens the prospect (cost and data security permitting) of allowing members to view their pension records and producing benefit statements at will.

Traditional ways of communicating – this Reflections, for instance – are a long way from dead. But if you want to be first in the know, it will be a case of browsing www.superpilk.com from time to time.

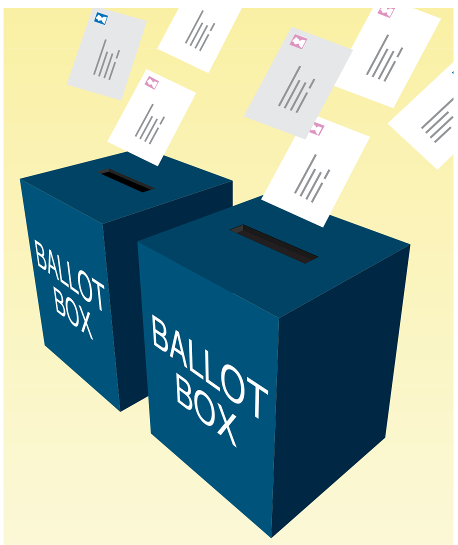
PASSING THE BATON

THE FIRST of July saw big changes to the Scheme's Trustee. It was three years on from the merger of the Pension and Superannuation Schemes and the end of the transitional Trustee arrangement.

The basis of the new Trustee board ensures one-half is directly elected.

For the first time it gives pensioners a vote and over five thousand (42% of those eligible) took part in a postal ballot arranged by Electoral Reform Services in March. Faced with a choice of thirteen candidates, most support was given to Stephen Beesley and Alan Havard who became Pensioner Directors on 1 July 2001.

The current contributors to the Scheme are now divided into two constituencies.



Only 32% of those eligible in the St. Helens centred constituency voted, with Alan Cunliffe (Cowley Hill), Christine Wakefield (Headquarters), Jackie Mafi (Pilkington Retirement Services), Ralph Abbott (Greengate) and Maureen Jones and Bernard Parker of Lathom being elected as Employee Directors from 16 candidates.

Continued on Page 2

INCREASES 2001

The general pattern of increases paid by the Scheme from 1 July 2001 was

First in payment	%
● on or before 31 March 2000	2·3
● during April 2000	2·1
● during May 2000	1·9
● during June 2000	1·7
● during July 2000	1.5
● during August 2000	1·3
● during September 2000	1·1
● during October 2000	0·9
● during November 2000	0·7
● during December 2000	0·5
● during January 2001	0·3
● during February 2001	0.1

Guaranteed Minimum Pensions in payment and relating to membership before 6 April 1988 were not increased. These are increased by the DSS with the basic state pension.

GMPs in payment for membership from 6 April 1988 onwards were increased by 3%. VPS pensions were not increased.

IN THE PIPELINE

LATER IN the year the Trustee plans to issue a leaflet about the Scheme's ill health pension procedures.

Decisions on whether or not to agree to paying an ill health pension are the Trustee's. They are a cost to the Scheme's whole membership – contributors and pensioners alike. So the Trustee has to make its decisions balancing everyone's interests.

Sometimes hopes seem to have been built up (not by the Trustees) unreasonably, and refusal to grant the extra pension generates bad feeling.

The leaflet should ensure that would be applicants have an accurate picture of the whole procedure.

ARE YOU ONE OF PADCROFT'S OLD BOYS? - SEE BACK PAGE

Accounts & Investment Report on Pages 2 & 3

Amongst all the recent junk mail and faxes reaching Pensions was one from Help the Aged which may be of interest. So we pass the message on.

Help the Aged offers a form filling service for anyone over aged 50 receiving a self-assessment tax return. If your income tax affairs are straightforward the charge is £75 for the completion of the return and its checking by a second specialist. A higher charge applies where the tax position is more complex. Full details of Help the Aged Tax Services can be obtained by phoning 0870 770 0448.

(Incidentally the Help the Aged web site contains a lot of helpful financial and other information, and is accessible from www.superpilk.com – where else!)

Payroll giving

Stoppages can now be taken from the Pensions payroll net of income tax for charitable purposes. The 'Give As You Earn' arrangement announced in last year's Reflections, can be joined at any time.

If you are interested, details can be obtained from Lynn Hornby, of Pensions (01744 692980).

PASSING THE BATON

Continued from Page 1

It was a walkover in the other ('remote') constituency. Only four nominations (John Butterley, Doncaster; Fred Mapp, Aerospace; Kevin McKenna, Kings Norton Automotive; John Wallin, Pilkington Birmingham) were received for the four vacancies.

Changes also took place amongst the Employer Directors on 1 July with Steve Gange, John McKenna, Tim Izzett and Richard Hemingway joining.

With trustee training sessions planned for October the new twenty-four strong board (all names listed on the website) meets for the first time in early November.

Although the new structure is intended to be for the long term, recent changes in legislation will prompt a review of the structure in the next three years. Nothing is forever these days!

A little Myners difficulty

Last year's 'Reflections' included a brief piece about the PSS's Statement of Investment Principles (now available on www.superpilk.com). It reminded readers that copies could be had on request.

Out of a potential readership of nearly twenty thousand, just three took up the offer. Not altogether surprising because a S.I.P. – content specified by legislation – is hardly beach reading.

Good Practice

However a suggested code of what constitutes good practice for pension schemes would have the Trustee send every member a copy of the SIP every year! What will be achieved apart from bumping up the costs of operating the Scheme by £20000 p.a. is uncertain.

The idea comes in recommendations made by the Myners Committee on institutional investment to the Chancellor of the Exchequer. (In its election manifesto, Labour said it would bring the recommendations into law, at some stage).

Access to Decisions

Myners believes that the SIP can be a way for trustees to explain their approach to the investment of a pension fund, and for members and pensioners to be able to assess the decisions made on their behalf.

The SIP will have to include (if it does not already) detail as to who is taking investment decisions (e.g. an investment committee) and why this way of doing things has been chosen. It will need to explain the fund's investment objective, and the planned strategy for allocating assets (including estimates of future investment returns) and how the strategy was reached. Details of the managers' and advisers' mandates and fee structures will have to be reported as well. If a trustee body chooses not to cover these points it will have to explain why.

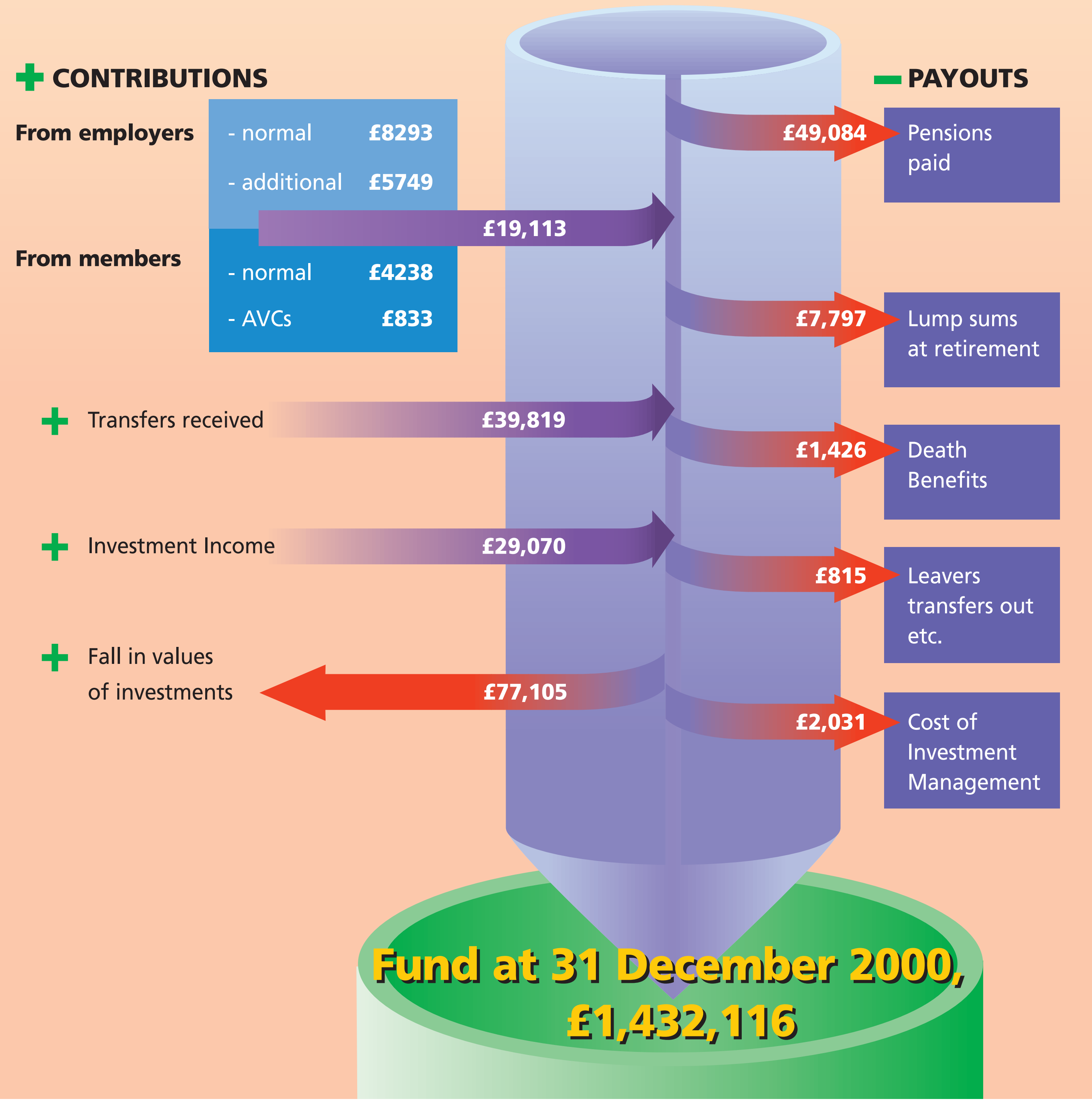
The PSS already touches on most of these topics in its SIP or Trustee's Report. No doubt explanations will have to be extended to satisfy "best" practice, but the puzzle remains – why post a detailed document unsolicited to every member, when very few want it?

Someone isn't living in the real world.

KEY FEATURES OF THE PSS FINANCIAL STATEMENTS FOR 2000

(This is a summary of the Financial Statements published in the Trustee's Report and available on **www.superpilk.com** or from Pilkington Pension Services Limited

Fund at 31 December 1999 £1,482,372 (All figures in £ thousands)



Investment Report

Economic and Stockmarket Background

Following the remarkable final calendar quarter of 1999 when major world stockmarkets surged amid enthusiasm for technology and media shares, the first half of year 2000 witnessed a reality check as fundamental analysis replaced blind optimism.

The approach to the new millennium, the so-called Y2K effect, had generated a considerable increase in technology-related spending in an orchestrated effort to ensure compliance with the transitional requirements of old to new century. Central Banks supplied liquidity to the system and the dominant US interest rates were placed on hold to assist confidence within global money markets.

New Year 2000 brought a return to the concerns about an overheating US economy and the need for a sequence of interest rate hikes to restrain GDP growth, accelerating at a pace in excess of 5% per annum. Interest rates were also rising elsewhere, to control the perceived threat of higher inflation as tight labour markets in tandem with escalating energy prices worried many Central Banks.

A marked change in investor sentiment began, particularly amongst the "new-economy" stocks and during March there were some substantial falls in these share prices across major stockmarkets. Volatility continued through quarter two as interest rates were increased in the US and Europe although core inflation remained subdued. Within equity markets a move began from the technology, telecoms and service sectors towards more defensive areas such as healthcare, utilities and tobacco.

Bond investors shared the nervous volatility and the apprehension caused by the combination of excessive economic growth, much higher interest rates and OPEC-inspired high oil prices. However, the relative safety of bonds together with a technical scarcity of supply amongst government bonds produced respectable single-digit bond returns in the first half year. To UK investors Property proved to be an area of steady growth and high yield throughout the year.

Deteriorating sentiment in the US equity market spread to global markets in the second half of the year as US economic growth eventually slowed under the burden of high energy prices and interest rates up to the 6.5% level. There was a rash of profit warnings from high profile companies during the final quarter prompting a series of downgrades in profit forecasts into the 2001 trading year.

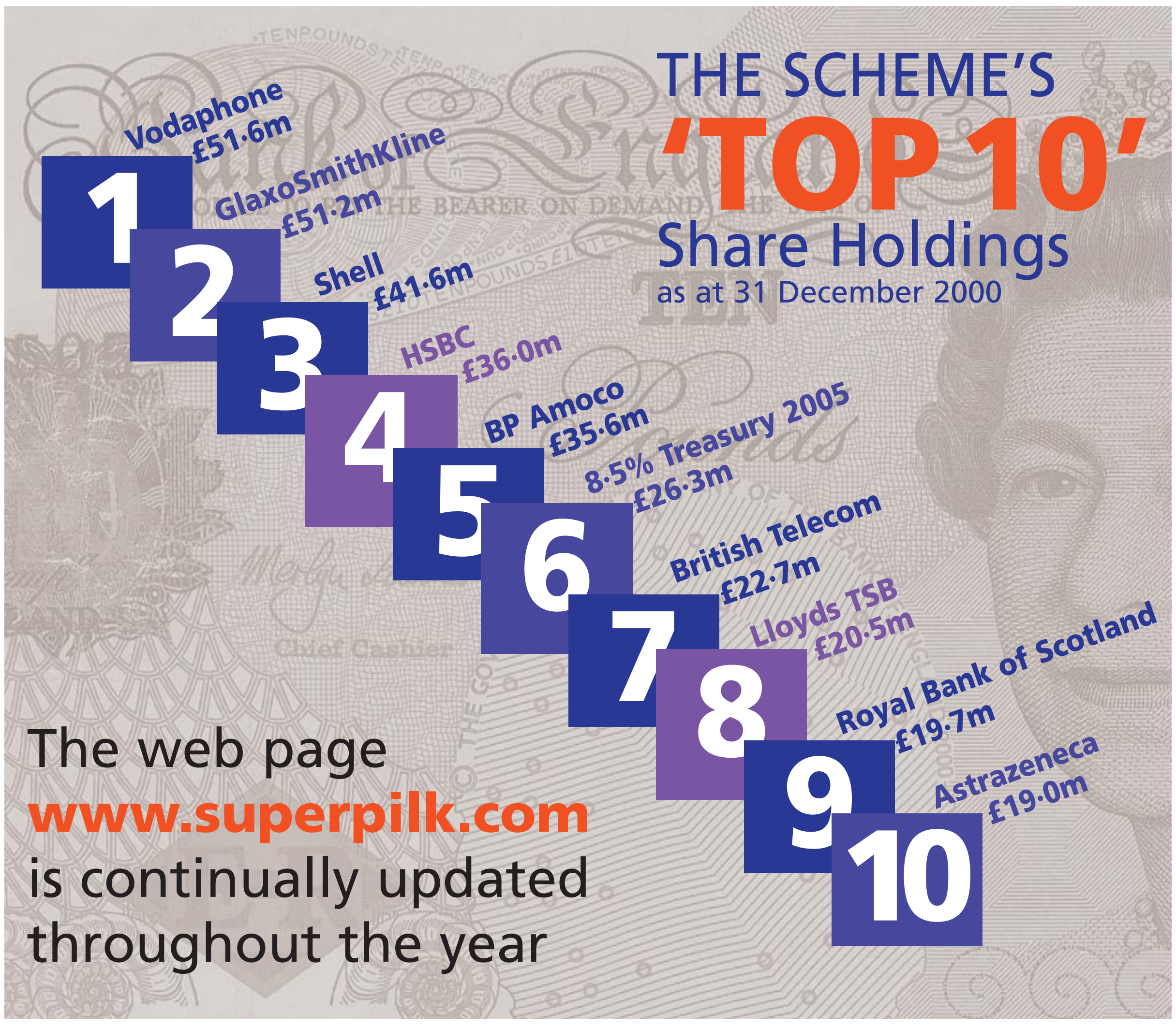
Most of the major equity markets ended the year in negative territory whilst bonds, cash and property provided respectable returns.

Investment Policy

	£000's
U.K. Bonds increased by	28,833
Overseas Bonds decreased by	(951)
Index-Linked decreased by	(347)
U.K. Equities decreased by	(3,290)
Venture Capital decreased by	(4,253)
Overseas Equities decreased by	(29,965)
Property decreased by	(42)
	(10,015)

The policy outlined, together with movements in market prices during the year, resulted in the following changes in the distribution of the investment portfolio:

	2000 %	1999 %
Deposits, Cash	**3·6**	3·4
U.K. Bonds	**10·2**	5·7
Overseas Bonds	**3·3**	2·9
Index Linked	**1·8**	1·6
U·K· Equities	**51·7**	53·3
Venture Capital	**0·5**	0·6
Overseas Equities	**25·7**	29·7
Property	**3·2**	2·8
	100·0	100·0
Investment Assets (at market value)	**£1,416·1m**	£1,466·0m



Return on Investment

The return (i.e. capital depreciation plus income) on the investments held by the Scheme was minus 3.5%. The Retail Prices Index increased by 2.9%.

Over the last ten years, the annualised return on the Scheme's investments was 13.1%, retail price inflation was 2.6% per annum and there was a real return of 10.3% per annum.

The 20 year annualised return was 14.0%, inflation 4.5% and real return 9.1%.

Relative Performance

	1998 %	1999 %	2000 %	3 years %pa	5 years %pa
Scheme Annual Returns	13·9	23·8	-3·5	10·8	11·5
WM All Funds Universe, Median funds Return	13·3	21·2	-1·8	10·6	11·9

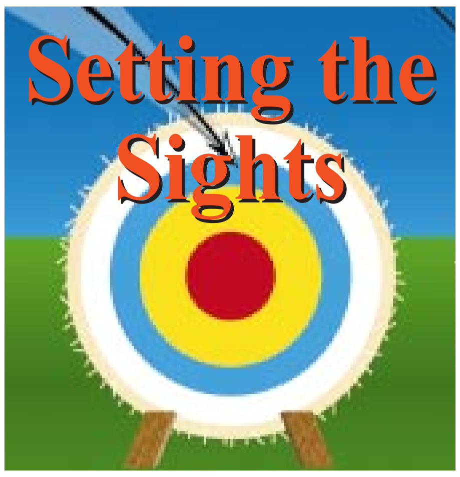
Note *the Trustee Directors set performance targets from 1 January 1997 at +0.5% above the benchmark (WM All Funds Median) on a rolling 3 year basis.*

Prospects

The recent collapse in economic growth in the US is dominating sentiment in global stockmarkets. It is anticipated that the majority of the bad news associated with the resultant slowdown in world growth will be through by mid-year although this is by no means certain. Most Central Banks are following the lead of the US Federal Reserve in reducing interest rates in an attempt to minimise damage to consumption but the European Central Bank has been reluctant to act against a background of above target inflation. The belief that Europe and the UK economies are insulated from near-recession in the US and Japan may be tested before too long.

Investor sentiment remains fragile, prospective equity valuations proving difficult to establish with any confidence. There is, though, a perception that considerable upside potential lies ahead in equities once economic conditions return to their normal long-term trends.

Our portfolios are in a transition phase as we move to the positioning against new benchmarks this year. The broad Bond: Equity allocation is close to completion with further switching from property to index linked bonds in prospect. As confidence in the US recovery unfolds, so the increase in North American equity exposure will continue, probably at the expense of our other equity portfolios.



Setting and measuring investment targets is an important duty of all trustee bodies.

Traditionally a common way has been to assess how well you were doing "against the pack". Was your fund performing better than other pension funds, or not?

This way of looking at things tends to ignore the fact that pension schemes are very different in composition. Some have very few pensions in payment, whereas others have few contributors and large numbers of pensioners. But all end up with the same mix of assets because the test is against the rest.

The approach is beginning to change. Trustees are now concerned to ensure the assets they hold better match the liabilities they will have to meet. Hence if a scheme has relatively high proportion of pensioners in its membership (is "mature") it may be sensible to invest more of the fund in fixed interest stock than otherwise, as advisers see this asset class as a less risky match.

The PSS has begun to move along this trail.

The Trustee used to set its managers the aim of out performing the 'median' by ½% p.a. on a moving three-year basis. From January 2001 that has changed. The Trustee has agreed a specifically designed benchmark and the challenge

Continued on Page 4

SOMETHING EXTRA

UNLESS YOU are convinced that global warming will bring an abrupt end to life on earth, there is evidence (see 'Assessing the Fund's strength') that present PSS contributors will live much longer than their parents.

At the same time work patterns are changing. People anticipate a series of employments through their working lives, some with good pensions, others with little or nothing.

All the more reason for taking retirement planning seriously, earlier.

The fact is that pensions are expensive and will probably get more so as life expectancy extends. Buying £1 a year of pension (if you had reached age 60 in June this year) with cost of living increases and a pension for your spouse costs about £21!

Chance for more AVC's

By law pensions schemes have to offer a voluntary contribution facility ('AVCs'). PSS offers the choice of 'added service' or, for new AVC payers, a range of Prudential funds.

Additionally since April this year the Government has allowed any pension scheme member earning less than £30,000 a year to take out their own private 'stakeholder' pension as well.

Time to think about your own circumstances?

FOR THE RECORD

IN AUGUST 1999 the Trustee announced credits for all members (contributors, pensioners and deferred pensioners) of the pre merger PSS following the Pilkington Pension Scheme merger.

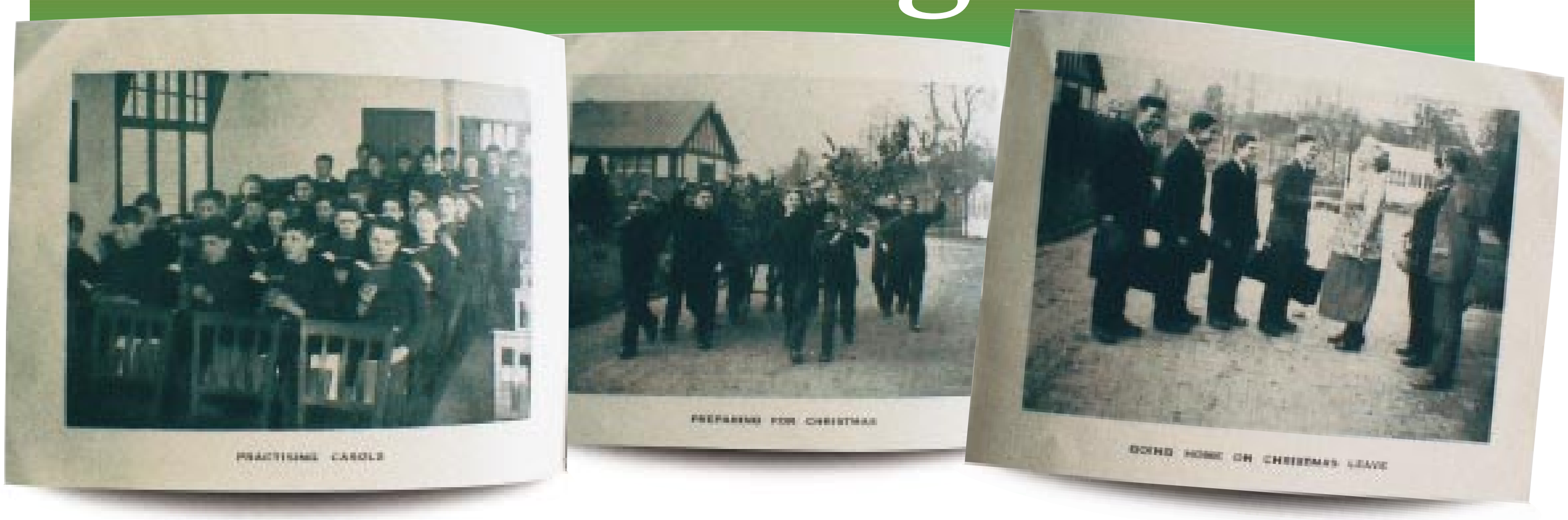
About a tenth of the pensioners could not have the full credit because of the limits imposed on pension schemes by the Inland Revenue.

In the absence of any change in Inland Revenue policy, the following summarises what the Trustee is doing where pensioners are still limited

- when the Scheme's general increase is under 3% (as this July) 'restricted' pensioners will receive up to 3% until the whole of the original 1999 credit amount is paid.
- should a pensioner die before the whole of the 1999 credit is in payment, any spouse's pension will (subject to the Inland Revenue maximum test) be calculated as though it was.

The Revenue limits may also affect contributors and deferred pensioners reaching retirement. In these situations any merger credit unpayable at retirement will be treated as though it had been paid, when calculating any spouse's pension.

Does this ring a bell?



The following request was received from the Museum of Law in Nottingham in June. Apparently the Padcroft Boys Home was linked to one in St. Helens.

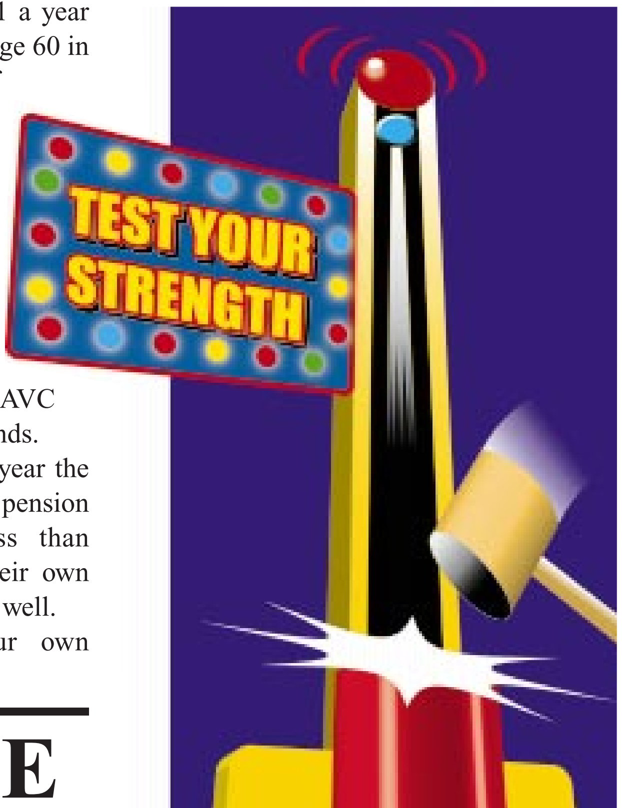
The Rainer Archive

Until recently little was known about the Rainer Archive.

However it is currently undergoing an extensive research and cataloguing process and is beginning to reveal its secrets. The collection is at first glance a set of boxes containing an apparently disparate set of notes, books, photographs and records between the periods 1820 to 1997. It has quickly become evident that the archive is not only extensive but also exceptional, and once the research and cataloguing process is complete it will be a new and highly significant resource with national appeal and widespread accessibility (possibly as an Internet resource).

In parts the archive is able to reveal some personal stories and this is an area that will be developed. It is possible that families of those associated with the societies contained in the archive have retained some of the letters, diaries, photographs and personal reminiscences and these would certainly add a personal dimension to this unique collection. Therefore any assistance in locating these important 'pieces of the jigsaw' would be most gratefully received. In particular we are keen to hear from anyone who had associations with Padcroft Boys Home in Yiewsley, Middlesex. *We understand from the archive that 80% of the boys between 1920 and 1950 went to work at Pilkington,* and therefore we would love to get in touch with them or their families. We may be able to offer copies of some of the material and we could certainly show them what we have (books, pamphlets, registers and photographs), but we would also like to add personal stories to the collection.

Further information may be obtained from Shani Cassady, Researcher at the Galleries of Justice, High Pavement, Nottingham, NG1 1HN, telephone 0115 9520555 or email at shani.cassady@ntu.ac.uk



ASSESSING THE FUND'S STRENGTH

The Trustee will be hearing the findings of the latest actuarial valuation of the Scheme when it meets in November.

These valuations, generally made every three years, give a snapshot of the Scheme's likely long term strength at a point in time (in this case, 31 December 2000).

The challenge for the actuary is to compare the funds available to the PSS (the stocks and other assets already held, and the contributions which may be payable into the distant future) with the benefits to be paid out into the fund to current pensioners and contributors. He has to make judgements as to future rates of inflation (for pension increases), of salary growth and likely returns on investments. In addition he needs to make assumptions as to how long members and pensioners will live, and what proportion of members will leave or retire before age 65.

This time round the actuary will simply be taking the fund's assets as being worth the figure shown in the accounts at 31 December 2000. The old method involved building up a value from the income the assets might generate over the lifetime of the membership. However that has fallen from favour as a result of tax changes by Gordon Brown in 1997.

Moving to a 'market value' basis is likely to mean that the Trustee will have to get used to bigger shifts in the Scheme's financial strength from valuation to valuation, than in the past. For instance, the value of shares in the UK index fell by 11% in the first six and a half months of 2001.

There is evidence that the population at large is living longer than was even the case ten years ago. The male turned 65 in 1990 had another fifteen years to look forward to on average. It is suggested by actuaries that the male reaching age 65 in 2000 may have another twenty years of life in him on average. Comforting news in one way, but not so good for pension schemes, which will have to find more money than was anticipated. The possible impact on PSS's liabilities of increasing longevity will be a point reported to the Trustee in November.

for the investment managers again is to outperform it by ½% p.a. on a moving three-year basis.

The new target means the Fund will hold less in equities than has been the case and more in fixed interest. The Fund will no longer hold investments in property.

Shifting to a 'scheme specific' target also implies that how other pension funds are performing is no longer relevant – though it will be difficult to get out of the habit of looking!