November 2014 THE PILKINGTON SUPERANNUATION SCHEME

NSG GROUP

Reflections

Continuing steady progress

says Chairman **Keith Greenfield**

I WRITE TO YOU having completed almost a year as Chairman of the Trustee of the Pilkington Superannuation Scheme ('the Scheme'). First I would like to pay tribute to the long service and devoted work for the Scheme which Andrew Robb as the previous Chairman, and Glen Nightingale as a Director of the Trustee, carried out over many years. The Scheme, the sponsor and the membership owe them a great deal.

I was pleased to have taken over the Chairmanship from Andrew when the Scheme had to some extent recovered from the position at the 2011 Valuation. However, there is still some way to go before the Scheme is fully funded, in other words would have sufficient assets to pay all guaranteed pensions. We look at a more cautious basis when deciding the appropriate time for reducing the level of risk taken in the Scheme's investment portfolio. On this more prudent basis we have managed to take a reasonable amount of risk out of the Scheme and with the protection programme we now have in place, I would hope and expect that we are now better insulated against the falls in the investment world than was the case in the past.

The Company continues to inject £23m a year into PSS. From March 2014 an additional £2m per year is payable in lieu of the Letter of Credit which expired at the end of February. Clearly these are very large sums of money from the Company through a very difficult trading period. We face the next triennial valuation at 31 December this year. We hope the results will be finalised during 2015 although we have until March 2016 to complete everything. A committee of the Trustee has been established to negotiate with the Company about the Valuation though any decisions will be those of the full Board.

The Trustee already has a monthly report from the Actuary which, whilst not as accurate as the full valuation, rolls forward the values of the assets and liabilities taking account of changes in economic conditions. Consequently there ought not to be any major surprises in the funding position but we will be able to factor in the demographic and membership changes since 2011.

The investments are now in what could be considered a largely 'steady state'. Whilst there will be movements as the de-risking programme progresses, the Trustee does not foresee any major changes in strategy whilst it works towards its goal of the Scheme becoming self sufficient and no longer reliant on cash injections from the Company in order to meet the existing liabilities.

The Pensions Department is, as ever, busy. The administrators are carrying out a reconciliation of data held by the Scheme with that held by Her Majesty's Revenue & Customs for every member who has a Guaranteed Minimum Pension. In addition and in parallel, the administration system is being upgraded and the data for the Valuation will be required immediately after the Christmas holiday.

The new proposals in the Budget 2014 are more directed at defined contribution schemes than at defined benefit plans like PSS. However, there are possible ramifications and a joint working party of Company and Trustee representatives is considering what are the implications and what communication there should be with the membership. There is more information about those changes elsewhere in Reflections.

Andrew Robb, in his farewell letter to you, mentioned the changes to the Board. It now comprises fourteen Directors, seven Employer Directors of which one is BESTrustees, the independent Trustee; three elected by the pensioner members and four elected by the contributory active members. This Board also has various committees which either have power to act in certain circumstances or in certain areas delegated to them, or which investigate more deeply into issues and return to the Board with a recommendation for action. All the Directors participate in at least one committee which, with the Board meetings, does add up to quite a significant workload. I would echo my predecessor in thanking them on my own behalf and that of the membership for their diligence and dedication.

I will keep you updated during the year with progress in the Valuation and look forward to further steady progress down the road to full funding.

INFORMATION

Group Pensions Department are still on 3rd Floor Court Block at Alexandra Park, Prescot Road. The full postal address, contact telephone numbers etc are below. If you have any queries about your pension please contact us at:

Group Pensions Department,
Pilkington Group Limited, Alexandra Park,
Prescot Road, St. Helens, Merseyside WA10 3TT
Tel: 01744 692596 Fax: 01744 737336
Email: pensions.administration@nsg.com
For queries about healthcare please contact BUPA Helpline on 0845 606 6715.

For Income Tax queries please contact
HM Revenue & Customs on 0300 200 3300.

Group Pensions Department cannot help with queries about BUPA or income tax.

EQUITABLE LIFE

You may be aware from press coverage that the Equitable Life Payment Scheme was established by HM Government to make payments to Equitable Life policy holders who had suffered financial loss as a result of Government maladministration occurring in the regulation of Equitable Life.

All the information requested of the PSS administrator was sent to Equitable Life ('EL') by the due date. Upon enquiry in July 2014 about whether payments to PSS members had been processed the Secretary was advised that this was imminent. The Scheme has no direct contact with EL and is not advised of payments. Should any member have any query about payment or absence of payment he/she should contact the Equitable Life Payment Scheme on 0300 0200150 or check the website which is **http://equitablelifepaymentscheme.independent.gov.uk.**

EXISTENCE CHECKS

Just a reminder that these checks are now carried out annually to comply with the obligation under the longevity insurance contract. The Scheme administration team thank you for your co-operation and patience in this matter.

MEMBERSHIP

	31 December 2012	31 December 2013
ACTIVE MEMBERS	1545	1248
DEFERRED	3123	3160
PENSIONERS /SPOUSES	11242	11119
TOTAL	15910	15527

THE TRUSTEE BOARD

The Pilkington Superannuation Scheme is operated and managed on behalf of the membership by a Corporate Trustee – PILKINGTON BROTHERS SUPERANNUATION TRUSTEE LIMITED. This company is represented by its Board of Directors which comprises up to 14 Directors. There are currently 14 Directors with no vacancies.

As at 1 September 2014 the **Directors of the Trustee** were:-

Mr. K. Greenfield (Chairman)
Mr. S.J. Beesley* (E/ee P)
Mr. D. Corf* (E/ee P)
Mrs. N.J. Ellison Group Functions (E/ee)
Mr. S.M. Gange*
Mr. D.P. Gilchrist Automotive, Lathom (E/ee)
Mr. R.P. Hemingway*
Mr. B.J. Kay
Mrs. J. Mafi PRSL (E/ee)
Mr. J. McKenna*
Mr. K. McKenna Greengate (E/ee)
Mr. G.M. Sayers* (E/ee P)
BESTrustees plc (represented by Mr. P. Thompson)
Mr. P.D. Wilkinson

Secretary: Miss J.P. Halligan
Pilkington Brothers Superannuation Trustee Limited,
Group Pensions Department, Prescot Road, St. Helens,
Merseyside WA10 3TT
Tel. (01744) 28882 Fax. (01744) 737336

Note: 'E/ee' denotes the director is directly elected for a fixed term by the PSS members (where the abbreviation is 'E/ee P' by the pensioners)
* denotes the director is in receipt of a PSS pension.

ADVISERS

The Board of the Trustee has appointed the following advisers to support its work in administering and managing the PSS:-

Scheme Actuary:	Jane Curtis (FIA) of Aon Hewitt Limited
Investment Consultant:	Towers Watson Limited
Auditors:	PricewaterhouseCoopers LLP
Lawyers:	Hogan Lovells International LLP
Bankers:	National Westminster Bank plc
Investment Managers:	State Street Global Advisors Limited Rogge Global Partners plc PIMCO Global Advisors (Ireland) Limited CBRE Global Collective Investors UK Limited Henderson Global Investors Limited Legal & General Assurance (Pensions Management) Limited Insight Investment Management (Global) Limited Nephila Capital Limited
Custodian:	JP Morgan Chase Bank

PENSIONS –

LIBERATION OR SCAM?

In last year's Reflections mention was made of 'Pensions Liberation'. Commonly this involves an individual being offered the chance to transfer money out of a scheme such as PSS into another plan on the basis that the money will be available to him/her before age 55 (which is currently the earliest age at which most people can take their pension benefits). Usually what is not mentioned are the charges which are associated with such a move and the penal tax consequences. The Pensions Regulator has recently issued new information for savers and for Trustees and Administrators. It has dropped the term 'liberation' and adopted 'scam'. The headline of the leaflets is 'A lifetime's savings lost in a moment'. Whilst the pensions administrators can and do make enquiry of the receiving scheme and the member who wishes to transfer, there are steps which the member may wish to take to try to ensure that the new scheme is legitimate and the proposed transfer will not lead to penalties or losses.

The Regulator's leaflet (available on **www.pension-scams.com**) sets out some of the "tricks" used by scammers.

It says they may
- Claim that you can access your pension pot before age 55
- Approach you out of the blue i.e. over the phone, via text message or in person door-to-door
- Entice you with upfront cash
- Offer a free 'pensions review' or try to lure you in with so-called 'one-off' investment opportunities

The scammers may even pretend that the Government has asked them to contact you.

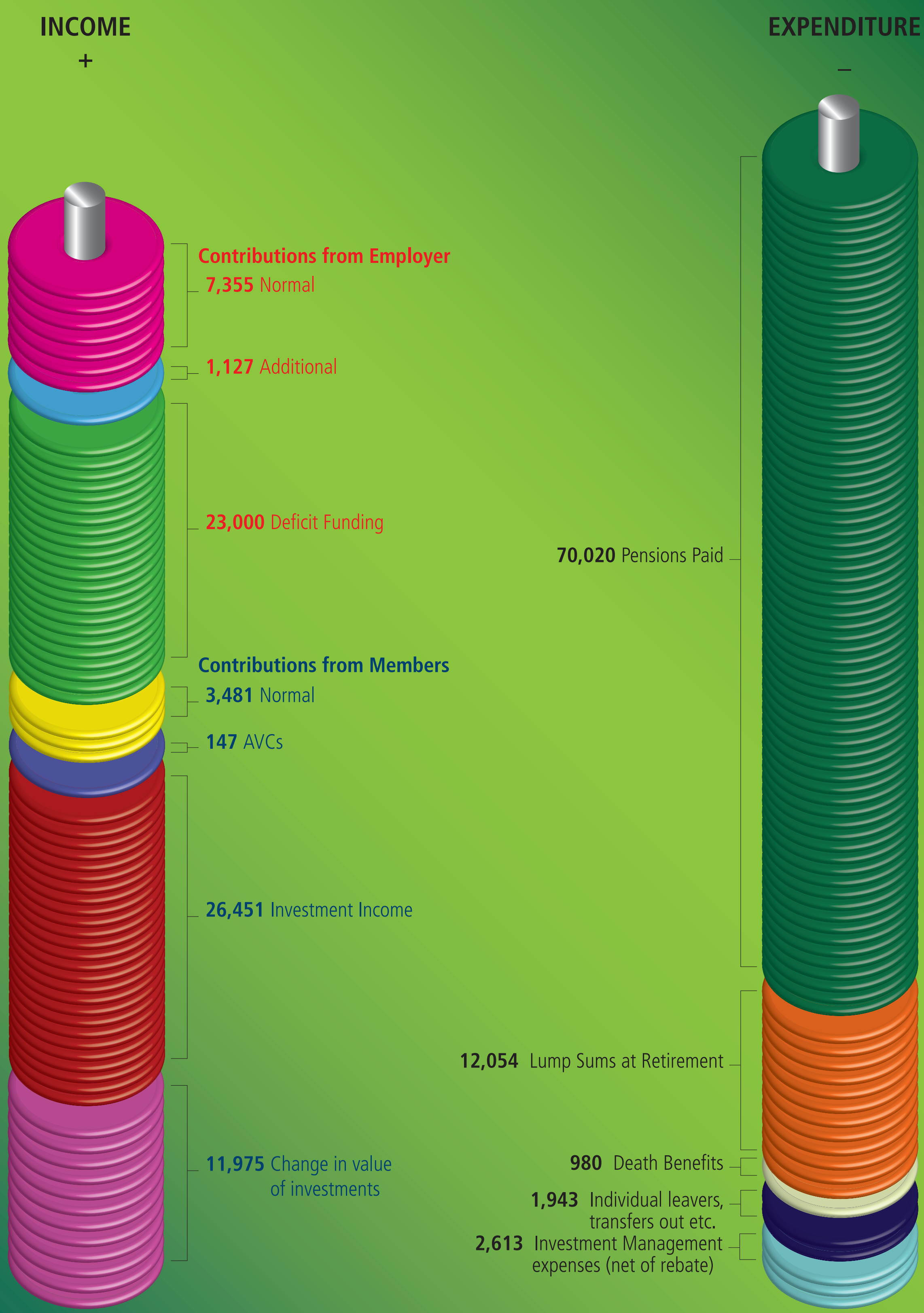
The leaflet advises that if you think you may be being targeted then you should
- Never be rushed or pressured into making a decision
- Before you sign anything call the Pensions Advisory Service on 0300 123 1047
- If you have already accepted the offer call Action Fraud on 0300 123 2040

When a member asks for a transfer value from PSS, the administrator will send the Regulator's material to the member. It is important that this is read and if any matters mentioned in the leaflet seem to apply then the member would be well advised to speak to the Pensions Advisory Service and take advice from an independent financial adviser regulated by the Financial Conduct Authority **BEFORE** proceeding. Provided the receiving scheme is registered with the Regulator and HMRC then there is little the administrator can do. A member is entitled to transfer his or her benefits but increasingly he/she should be very careful about where any transfer is going to and should be aware that these potential scams are becoming quite prevalent.

FUND CASH FLOWS

(all figures in £ thousands)

FUND VALUE AT 31 DECEMBER 2013 = 1,408,949



FUND AT 31 DECEMBER 2012 = 1,423,023

The detailed Trustee Report and Accounts are available on the Scheme's website.

ANOTHER NEW REGIME

The 2014 Budget announced changes to the tax regime surrounding defined contribution ('DC') pension schemes. The changes are quite wide ranging and do have some impact on PSS members. The changes came in two parts. Certain of the changes were introduced from 27 March 2014 whilst the main changes are expected to come into force from 6 April 2015.

From 27 March 2014 the level of pension which can be commuted into a single taxable lump sum was increased. In short this means that anyone with total pensions from all sources including PSS of a value of less than £30,000 pa could apply to have these pensions paid as one sum.

A second change is that any pension from a single source of a value of less than £10,000 pa is likely to be capable of being paid as one taxable lump sum. There is a limit on the number of such pensions which may be paid 'up front' which is three.

Other changes at March 2014 concerned the regulations around the drawdown of a DC pension which are beyond the scope of this article.

The changes proposed from April 2015 also concern DC schemes – that is to say those schemes where the member has a 'pot' of money invested in accordance with his instructions which usually receive contributions from the employer and member and, all being well, also increases in value by virtue of investment returns and capital growth.

Until now at retirement most people in such pension schemes would pass their fund over to a pension provider, usually an insurance company, in return for an income guaranteed for life – this is an annuity. From April 2015, DC schemes may permit a member to access his/her pension fund in full without the need to buy an annuity.

If a member of such a scheme decides to take the whole of his 'pot' as cash then the first 25% will be tax free and the remaining 75% will be subject to tax at the individual's highest marginal income tax rate. The fact of the lump sum payment may affect the tax rate which is charged. PSS members who have also joined the Friends Life scheme in respect of the salary which is not being pensioned in PSS will be able to avail themselves of the new flexibility (as will anyone who has opted out of PSS altogether and joined Friends Life).

There was speculation when the proposals were initially published that many members of defined benefit ('DB') schemes would transfer their benefits into DC schemes in order to access the cash. One particular concern was whether this would have an impact on the financial markets because the amounts of cash required in aggregate to fulfil the needs of members of all DB schemes could be substantial. However, the Government's latest paper re-iterates its view that for the majority of people who are members of DB pension schemes, it will be in those members' best interest to retain that DB scheme membership, whilst acknowledging that some may find the new flexibilities preferable.

Whilst transfers from DB schemes to DC schemes will continue to be allowed (excluding transfer of pensions already in payment) certain safeguards are to be put in place to protect individuals:

- The transferring member **must** take advice from a regulated adviser before transferring from a DB scheme (unless the value is less than £10,000 or total pension savings are less than £30,000). Apart from certain limited circumstances, the member will pay for the advice.

- Scheme trustees will be given guidance on how to protect their scheme's funding position from the impact of transfers out.

The Government expects all individuals with a DC pension who are approaching retirement to have access to good quality, free and impartial guidance. This new 'guidance guarantee' aims to give good quality structured help with decision-making. The Pensions Advisory Service has been recognised as one of the likely providers of this guidance.
Further changes which have been announced and which are due to take place from April 2015 are

- that the normal minimum pension age (i.e. the earliest age at which most people can take a pension) will increase from 55 to 57 in 2028. From that time on it will increase at the same rate as the increase in the state pension age

- that the minimum age for accessing trivial commutation will reduce from 60 to 55.

Needless to say that when headline proposals such as these are announced, which so radically change the pensions landscape, the devil is in the detail. However, there is clearly to be a new approach to retirement saving for the future when increasingly the responsibility for how much is saved and how the benefit is taken will rest with the individual member.

Should you find these developments interesting you may wish to take financial advice about the detail of the changes. You can do this via the Pensions Advisory Service or an authorised independent financial adviser.

INVESTMENTS

The Investment Report in the latest Annual Report and Accounts summarises the events of 2013 regarding the PSS' investments. Since the beginning of 2014 there has been less activity though there always seems to be something happening. In essence, the strategy remains one of de-risking as and when the funding targets are met. After a busy period of de-risking during 2013, there has been a quieter period this year though the funding level has remained at or around 88/89% on a 'gilts flat basis' – that is to say using a discount rate equal to the return on government gilts to calculate the value in today's terms of all the benefit payments which are expected to be paid into the future. The Company and Trustee still seek to achieve 100% funding on this quite prudent basis to minimise the reliance of the Scheme on the Company in future.

There have been no major changes during 2014 though the Trustee has transferred the management of its currency hedging to State Street Global Advisors ('SSgA') as part of its mandate. SSgA passively manages the UK, N American and European equity portfolios and a corporate bond investment for the Trustee.

The Trustee has requested CBREGI, its property manager, to no longer reinvest any cash generated from disposals but to return this to the Trustee. The Trustee had already decided to reduce its mandate and that this would be done only as planned disposals occurred. There was no requirement to force sales but as investments mature then funds will be returned to the Trustee. Certain of the managers have experienced turnover in senior personnel during 2014 and this has been a cause of concern to the Trustee. Rogge Global Partners plc have underperformed over recent years and have lost several key individuals. Consequently the Trustee has decided to liquidate the Rogge portfolio and to use the proceeds to purchase as many gilts as are required to maintain the hedge ratio and to invest the balance in equities. It is anticipated that this will give the overall portfolio the same level of expected return and a similar downside risk whilst improving the upside potential.

The Trustee is currently looking at ways of further reducing the overall exposure to corporate bonds and how best to reinvest the proceeds of any such disinvestment.

FINANCIAL ADVICE

Please remember that no-one in Group Pensions Department is authorised or allowed to give financial advice. Please do NOT ask the administrators for advice; for their opinion; for what they would do if in your position or circumstances. The law prevents them from replying to you in such cases. Please address your request for advice to an independent financial adviser who is trained and authorised to help you.

Thank you.