

CAPITA

CAPITA PENSION & LIFE ASSURANCE SCHEME



Newsletter 2013

Introduction

Welcome to the 2013 Scheme newsletter on behalf of the Trustees of your scheme. We have included within this newsletter an update on your Scheme's finances as well as current pension topics which may be of interest to you. We would appreciate any feedback you have on this newsletter, you can use the contact details on the back page to do this.

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Member Nominated Trustee Update

This year the Trustees welcomed two new Member Nominated Trustees, John Goring and Jane Sargeant onto the board. From 25 September 2012 a Corporate Trustee Company, CPLAS Trustees Limited was formed though this has not resulted in a significant change in how they operate. The Trustee Directors of the company can be found later on in the newsletter.

The Reality of Retirement

It is well worth asking yourself the question - am I prepared for retirement? By being a member of the scheme, you are taking important steps towards your financial security but there are a few other steps you can take:

- **What might you need** – understanding what your outgoings might be when you retire is your first step. For example, will you have paid off your mortgage or have children's educational costs? Try writing a list of all your outgoings now, and crossing off those you might not have when you retire. It is also important to consider the type of lifestyle you would like in retirement, including any additional holidays.
- **Check how much income you are likely to receive** – look at your annual benefit statement from the scheme, and include other savings and pensions you might be relying on when you retire. You can also get more information on your state pension from www.direct.gov.uk
- **Mind the gap** – if there is a difference between what you are likely to have and what you need, can you deal with this by saving more now? If you feel that you need to speak to an Independent Financial Advisor, you can find one in your area by looking on: www.unbiased.co.uk

Pension News

Pensions Liberation

This is currently one of the pressing issues in the pensions industry. It occurs when a pension is transferred to an arrangement which allows individuals to access their pension before legislation allows (currently 55 except in Ill Health). This normally results in serious tax consequences for the member, potentially resulting in penalties and charges of over half of a member's fund.

Increasing numbers of individuals and companies are targeting individuals and members are advised to keep their guard if cold called. If members suspect this has happened they are advised to contact an Independent Financial Advisor (IFA) at www.unbiased.co.uk or to read the factsheet at:

www.pensionsadvisoryservice.org.uk/media/943578/pension_liberation_fraud_leafletv2.pdf

State Pension Reform

In May 2013 the Government set out its desire to introduce a new flat-rate, single-tier state pension that is currently above the level of the means tested pension. This is to be bought in from April 2016 and will replace the current two tier approach of a basic state pension and the additional state pension relating to earnings.

In addition, it was proposed to bring forward the raising of the state pension age and to provide for the periodic review of state pension ages every six years, with the first review before 7 May 2017. To find out your current state pension age use the calculator at: www.gov.uk/calculate-state-pension

Taxation

The Finance Act 2013 was enacted in July 2013 which confirmed changes to the taxation limits surrounding pensions.

The current tax relief rules discussed here apply across all registered pension schemes you hold, and not just on an individual scheme by scheme basis. Therefore it is up to you to monitor your overall pension savings with regards to limits and tax charges. Whilst Capita can provide information of a factual nature on any potential tax charges for pension arrangements you hold within Capita, we are unable to provide Independent Financial Advice or information on pension arrangements you hold outside of Capita.

More information on these tax changes for pension schemes can be found on the HMRC website:

<http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm>

Annual Allowance

This is the maximum amount that can be saved into all pension schemes each year without a tax charge being applied. Pension savings can be built up in excess of this, but they may be liable to an 'Annual Allowance Charge' at your marginal rate of income tax.

For a final salary or career average (defined benefit) scheme, the Annual Allowance equates to the build up of pension for the year in question, with some inflation proofing. A change in the annual pension you are entitled to is valued using a factor of 1:16. This means that for every £1 increase in annual pension, £16 will count towards the annual allowance. However, to ensure an element of inflation proofing, the calculation of the change in annual pension (for the purposes of the annual allowance) does ignore increases to inflation as measured by the Consumer Prices Index (CPI).

From 6 April 2014 this will be reduced from £50,000 p.a. to £40,000 p.a. Using the 1:16 factor a pension increase of over £2,500 p.a. would result a charge being applied to the excess.

Where savings into a pension scheme exceed the Annual Allowance for a particular year, it may be possible to 'carry forward' any unused allowance from the three previous tax years, as long as you were a member of a registered pension scheme during that time.

Lifetime Allowance (LTA)

This is the maximum amount of tax efficient pension savings that can be accrued over your lifetime in all registered pension arrangements. Pension can be saved in excess of this, but any excess will be subject to the Lifetime Allowance Charge which will vary depending on the form of benefit an individual takes.

For final salary schemes the fund value is given a capital value by multiplying by 20 and this is used to compare against the Lifetime Allowance. From 6 April 2014 this will drop from £1.5 million to £1.25 million, which corresponds to a pension of £62,500 p.a.

Fixed Protection 2014

If members are concerned that they may exceed the new LTA they can apply for something called Fixed Protection 2014 (FP14). This will apply from 6 April 2014 and will protect members who hold it with a LTA of £1.5 million compared to £1.25 million. To obtain FP14 individuals must apply by 5 April 2014 and not previously hold any other LTA protection (Enhanced, Primary or Fixed 2012). In addition, no 'relevant benefit accrual' can occur, no more contributions can be made and no new pension schemes can be joined. Further information can be found at: www.hmrc.gov.uk/pensionschemes/fp14online.htm

Please note that it is a member's personal responsibility to apply for Fixed Protection, if they think that this may impact them. If this applies to you, you are strongly recommended to seek the advice of an Independent Financial Adviser.

Personal Tax Allowances

The 'personal allowance' is the amount of income you can earn before you start paying Income Tax:

Personal allowance	2013-14	2014-15
Under 65	£9,440	£10,000
Age 65 - 74	£10,500	£10,500
Age 75 and over	£10,660	£10,660

From the 2013-14 tax year, the higher age-related allowances will stay at the 2012-13 levels, moving towards a single personal allowance for all taxpayers regardless of their age. The personal allowances will depend on when you were born and you can find out more information from Her Majesty's Revenue & Customs (HMRC).

Isle of Man Residents

The Trustee Board can confirm that the Scheme has been approved by the Isle of Man Insurance and Pensions Authority.

Keeping in touch

Your Expression of Wish form

We would ask that you complete an 'Expression of Wish form' and keep it up to date, as it helps the Trustees ensure that any death benefits payable are paid out in accordance with your wishes and may allow the benefits to be paid free from Inheritance Tax as well. It is imperative therefore that all members complete these and, in the event of a change in circumstances, keep them up to date. If you have not completed a form, or need to update yours, then please find a copy with this newsletter or request a copy from the Scheme Administrator.

Annual Report & Accounts for the Pension Scheme

The Trustees are required to produce Annual Accounts each year, and for this pension Scheme they are based on figures as at 31 March each year. These are produced by the accountancy team at the Scheme Administrator's office and are then externally audited. The external audit is to check things like the basis of the accounts, along with the system controls and sample calculations performed by the administrator. The auditor then issues an opinion on the accounts before the Trustees approve and sign them off within seven months of the scheme year end.

The Trustees present below a shortened version of the Annual Report and Accounts for the year ending 31 March 2013. A full copy of this is available by contacting Stephen Ingamells, Secretary to the Trustees, who can be contacted at the address on the back page. The Trustees are pleased to confirm that the scheme has been given a clean, unqualified audit.

The Annual Report itself details the financial developments for the year, investment matters and membership movements whilst the accounts show the summary of the financial statements for the year using standard accounting practices.

Facts and figures from the year ended 31 March 2013

Investments

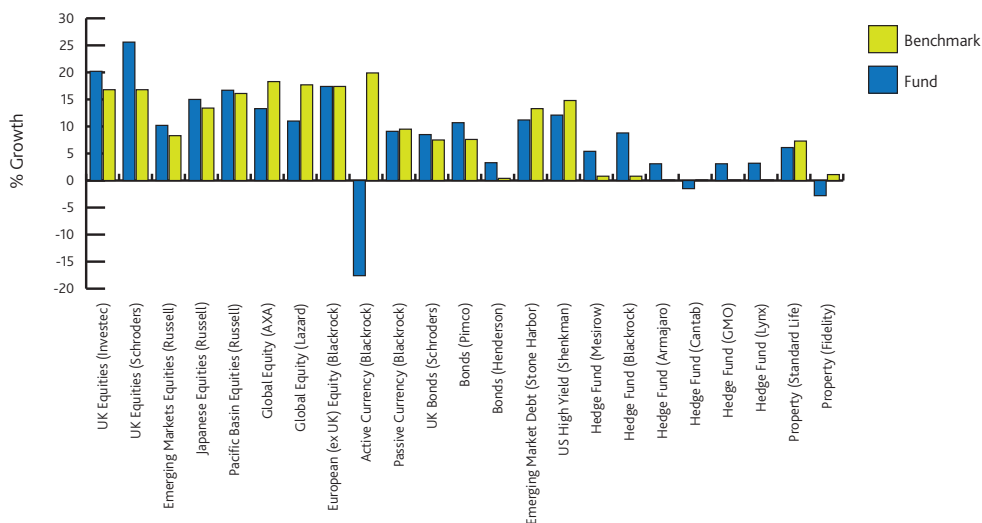
Strategy

The Trustees are required to have a Statement of Investment Principles which outlines their chosen investment objectives, asset types and the investment manager arrangements for the Scheme. The Trustees, in conjunction with their appointed investment consultant, also regularly review the performance of the investment managers.

Performance

The following chart shows the performance of the Scheme's investments relative to the benchmark for the 12 months ending 31 March 2013. The overall Scheme return for the year was 10.0% which outperformed the benchmark of 9.1% by 0.9%.

Performance of Investment Managers



In the past year the Trustees have further diversified the Scheme’s investment portfolio in order to maximise potential gains and in order to protect against future risk and volatility. The Trustees have made additional investments in the year into hedge funds and they have also made an additional investment in private debt.

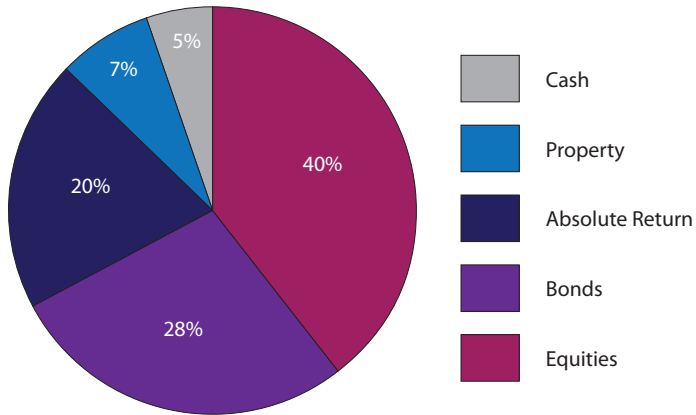
The past year has seen further use of quantitative easing by central banks to avoid an illiquidity crisis and concerns over a systematic failure of financial markets appear to have receded. Investors have adopted a more upbeat mood towards risky assets and despite the absence of any meaningful and consistent improvement in economic fundamentals, equity markets have been front-running the investment cycle, posting double digit returns.

The global economic background remained largely unchanged, with data suggesting sluggish growth and, at best, a slow grinding recovery. Growth has started to slow in China, and concerns still remain around the US economy and the debt ceiling but there have been positive signs surrounding the UK economy with predictions it will have the highest growth in the G8.

During the period the Trustees agreed on investments of £80m in a Scottish Limited Liability Partnership (“SLLP”) which was funded by prepaid contributions from Capita PLC. The SLLP holds certain software which is used by Capita’s educational products and support business. Capita pays the SLLP for the right to use this software and this investment has contributed towards improving the Scheme’s funding position during the period.

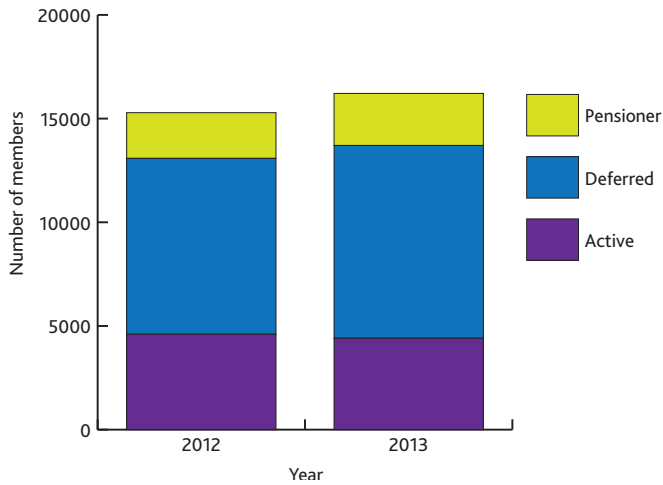
Asset split

The diagram below shows the proportion of the Scheme's investments held in each type of asset as at 31 March 2013.



Scheme membership

Scheme membership increased by 929 over the year, and the proportion of deferred and pensioner members to active members increased slightly.



Scheme accounts

	2013 (£)	2012 (£)
FUND ACCOUNT		
Contributions and Benefits		
Contributions receivable	21,252	20,864
Individual transfers in	63	3
Group transfers in	52,600	12,168
Other income	577	420
	74,492	33,455
Benefits payable	(13,151)	(11,777)
Payments to and on account of leavers	(611)	(2,316)
Administration expenses	(1,921)	(2,180)
	(15,683)	(16,273)
Net additions from dealings with members	58,809	17,182
Returns on investments		
Investment Income	3,363	1,682
Change in market value of investments	56,810	(55)
Investment management expenses	(809)	(321)
Net returns on investments	59,364	1,306
Net increase in the Fund during the year	118,173	18,488
Net assets of the Scheme At 31 March 2012	535,834	517,346
At 31 March 2013	654,007	535,834

The value of the Scheme's assets as at April 2013 were approximately £654m. In the past year the value of the Scheme assets increased by approximately £118m. It is important to note that the cost of providing defined benefit pensions (i.e. the value of the Scheme's liabilities) also fluctuates, meaning that the Scheme's funding level can rise and fall depending on the value of assets as well as liabilities at any point in time.

The Trustees and their advisers

The Scheme is managed by the Trustees, who are required to act in the best interests of all members and beneficiaries. Trustee Directors during the year were:

Member Nominated Director	Employer Nominated Director
John Goring	Gordon Hurst (Chairman)
Jane Sargeant	Jacqueline Akdeniz
Peter Tinsley	Stephen Ingamells (Scheme Secretary)
	Clare Waters

The Trustees make use of specialist advisers to provide expert advice and help them manage the Scheme effectively. The advisers that the Trustees have appointed are shown below.

Auditors	KPMG LLP
Bankers	National Westminster Bank Bank of Scotland
Legal Adviser	Walker Morris LLP
Life Assurance Company	Self Insured – Captive with Capita Insurance Services Spouses Death in Service Pensions insured by Aviva
Investment Managers	Armagaro (from 1 January 2013) AXA Framlington Investment Managers BlackRock Advisors (UK) Limited Blackstone Alternative Asset Management Cantab (from 1 January 2013) Fidelity International Frank Russell Company Ltd GMO (from 1 January 2013) Henderson Global Investors Investec Asset Management Lazard Asset Management Lynx (from 1 January 2013) Mesirow Advanced Strategies Inc Pimco Global Investors Schroder Investment Management Shenkman Capital Management Standard Life Stone Harbor
Investment Advisers	Mercer Investment Consulting LLP
Scheme Actuary	Patrick Bloomfield of Hymans Robertson
Scheme Administrator	Capita Employee Benefits

Further Information

A full copy of the Scheme Annual Report and Accounts is available from the Secretary to the Trustees. If you would like a copy please write to Stephen Ingamells at Capita Employee Benefits. The full address is listed below.

Other information available on request includes the following:

- The Statement of Investment Principles
- The Schedule of Contributions
- The Statement of Funding Principles
- The Trust Deed and Rules
- The Actuarial Valuation
- Actuarial Updates
- Information Booklet

Scheme Administrator

Contact details

If you have any questions regarding this newsletter, your pension entitlement or about the Scheme in general, please contact Capita Employee Benefits, the CPLAS administrator:

Capita Pension & Life Assurance Scheme Administration Team
Capita Employee Benefits
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Sheffield
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