

PENSIONnews



Welcome to this issue of Pension News. Our aim is to keep you up to date with changes to the GUS Money Purchase Pension Plan (the Plan) over the last year and also look at some of the current issues affecting pensions.

As with previous issues of Pension News we enclose your annual Benefit Statement which details the value of your Individual Account at 31 March 2004, and on page three we take a closer look at what is contained in the Statement.

Other articles of interest include: 'Pensions in the News' - the last twelve months have seen pensions making the headlines so we look at what has given rise to this. We have our regular feature 'Jargon Buster' which explains some of the technical pension terms and phrases that are used. We also introduce you to your Pensions Team on page two. Finally, we have included details of some changes to the Plan's investment choices, in addition to some other proposed changes.

Also included with this issue of Pension News is a separate commentary from the Prudential M&G, who invest and manage the funds of the Plan. This provides you with details of fund performance to 31 March 2004.

As always we hope you enjoy reading Pension News and that it helps give you a deeper understanding of the Plan. Any suggestions or comments on its layout and content would be greatly appreciated and if you have any queries about the Plan or your Individual Account please contact the GUS Pensions Team at Capita Hartshead;

By e-mailing: GUSPensions@capita.co.uk
By calling: 0114 2298 273
Or by writing to: GUS Pensions Administration Team
 Capita Hartshead
 257 Ecclesall Road
 Sheffield
 S11 8NX

November 2004

Jargon Buster

Additional Normal Contributions (ANCs)

A way for you to pay more towards your final pension at retirement. Contributions must be fixed for one year and invested in the same fund choice as your Plan Contributions.

Additional Voluntary Contributions (AVCs)

AVCs are more flexible than ANCs; they can be fixed regularly amounts that you can change regularly or you can even pay in single contributions. You can also make different investment choices for your AVCs to your combined Plan Contributions and ANCs.

Beneficiary

The person or people who will receive pension benefits under the Plan following a particular event, e.g. death. Your nomination form will provide details of how you would like your benefits to be paid in the event of death.

Individual Account

The account held in your name into which your Plan Contributions, ANCs and AVCs are paid - the value of this account is used to buy your pension when you retire. Your Individual Account will grow in line with the returns earned by the funds in which it is invested.

Lifestyle Strategy

This does not relate to how you lead your everyday life but is a common term for an investment process that moves your fund from higher risk long-term investments to funds that are more appropriate as you reach retirement. The timing of this process depends on your Target Retirement Date.

Pensionable Pay

Gross earnings including monthly and weekly bonuses, overtime, shift pay and commission. It does not include any annual bonus you may receive.

Plan Contributions

Normal employee and employer contributions.

Statutory Money Purchase Illustration (SMPI)

An illustration of the amount of pension that you might receive when you retire, which takes future inflation into account so that the pension is expressed in today's money terms.

Target Retirement Date

The date at which you plan to retire. If you do not select a Target Retirement Date then it will be taken as age 65.

The date plays an important role in the Lifestyle Strategy.

Trustees

GUS (Money Purchase) Pension Trustees Limited. This is a separate company set up to supervise the running of the Plan.

Introduction to your Pensions Team

The Trustees appointed a new administrator to the Plan in April 2004. Capita Hartshead, who replaced HS Administration, were the winners of the 2004 Professional Pensions 'Scheme Administrator of the Year' award. Capita Hartshead are the largest specialist pensions administration organisation in the UK. They administer the pensions of over 3.2 million people and handle more than £2 billion in pension scheme contributions every year. The GUS Pensions Team at Capita Hartshead (pictured below) are always available to help with your individual queries; for their contact details please see page one.



The Plan is also managed by the GUS Pensions Department who deal with Group pensions policy. The team includes Sandra Harvey, Lesley Sutherland and Rhos Roberts who is Group Head of Human Resources based at Stanhope Gate in London, and can be contacted on 020 7318 6234.

2

Pensions in the News

2004 will go down in history as being the year when pensions finally hit the headlines for both good and bad reasons. On the positive side, 2004 saw a Finance Act which focused heavily on pensions, alongside the introduction of a Pensions Bill. The aim of the new legislation is to simplify pensions and provide members of pension schemes with added protection. As you would expect there is a lot of detail included but these are two important provisions of the new legislation:

- Improving the availability of financial information about pensions and savings for retirement.
- Simplifying the tax rules for pensions, providing greater freedom (from April 2006) for each individual to make provision for their own retirement.

The Trustees will review the rules of the Plan to see if any changes need to be made, and we will keep you updated on any developments.

More recent, is the interim report from the Pensions

Commission which was established in 2002 to review the regime for UK private pensions and long-term savings. The full impact of the report will not be felt until after the next general election but the report highlights one significant problem: there are approximately 10 million people not making enough provision for an adequate income in retirement. Although the report doesn't make any firm recommendations, it provides food for thought by pointing out that the problems may not be solved by individuals and companies simply paying more into a pension. The report talks about working for longer, shaking up the current State Pension system and even forcing us all to pay into a pension of some sort.

As a member of the Plan you already make valuable savings towards your retirement with the added benefit of contributions from GUS. However, you still need to consider whether your pension is likely to be enough for your retirement and make any additional provision that you consider necessary.



Your Benefit Statement Explained

Last year we revised your statement to include a Statutory Money Purchase Illustration (SMPI), which the Trustees must now provide by law using a set of assumptions specified by the Government. The assumptions used are explained further on your Statement.

This year's Statement includes broadly the same information but follows a slightly different format. Your Statement shows the unit holding and value of your Individual Account as at 31 March 2004, and gives you a breakdown of the contributions paid by you and the Company over the year to 31 March 2004. Statements only reflect changes to your circumstances if these took place before 31 March 2004.

The projected levels of benefits illustrate the potential value of your Individual Account projected to your Target Retirement Date, based on three different sets of assumptions for future investment growth. The projections take into account current levels of Plan deductions for life assurance and administration charges. The projections also take into account the effect of inflation and are shown in today's prices. This adjustment for inflation puts you in a better position to decide whether your projected pension income is likely to meet your needs.

The SMPI projection uses 7% assumed annual investment growth rate. So that you can gauge the effect of lower investment returns, we have also included projections assuming investment growth of 3% and 5%. As with previous projections, they are based on certain long-term assumptions between now and your retirement date. They are examples only and are not guaranteed.

If you believe that any of the details shown are incorrect, you should contact the GUS Pensions Team at Capita Hartshead.

3

Investment Choices

The Plan has now been successfully running for over six years, with its core funds of the Specialist UK Equity Fund, the Index-Linked Fund and the Cash Fund managed by Prudential M&G. As mentioned in last year's Pension News the Trustees were considering extending the fund range and we are pleased to confirm that the review is now complete, resulting in a greater number of funds for members to choose from.

An Investment Guide and 'Request to amend investment choices' form are enclosed with this Pension News, and we encourage you to read the detail as it may affect you.

If you would like to invest in these new funds then you should complete the enclosed form and return it to the GUS Pensions Team at Capita Hartshead as soon as possible.

You can request a switch of investments at any time and they are actioned by the administrators once a month. However, the Trustees will operate a closed period from 15 to 31 January 2005, to ensure that any switches required as a result of the new investment options can be managed efficiently for all members. If you wish to switch your funds now you should return your completed form **prior to 14 January 2005**. If your request is received after 14 January 2005, your instruction will be actioned in the first monthly switch that takes place after 31 January 2005.

From February 2005 we hope to provide contributing members with the option of making investment changes on-line. We will of course keep you informed of developments.

Projected State Pension

In addition to your savings, an important part of your retirement provision is the amount of State Pension you are likely to receive. You can find out more about State Pensions and obtain a State Pension projection by contacting the Pension Service at the Department for Work and Pensions on 0845 3000 168 or at www.thepensionsservice.gov.uk.

Keeping us Informed

Many of you will have already completed your nomination form but have you kept it up to date? The nomination form is not binding but it does help the Trustees decide who should receive a lump sum benefit in the event of your death. If you have not yet completed a form, or wish to change it, please contact the GUS Pensions Team at Capita Hartshead.



Plan Deductions

As mentioned on page two, the Trustees appointed a new administrator to the Plan in April 2004. As part of the appointment, they undertook a review of the current Plan deductions. Whilst it has not been finalised at the time of producing this issue of Pension News it is likely that the current Plan deductions will be simplified to include a single annual charge deducted from your monthly contributions. However, this charge may be a little higher than the current charge. Further information will be provided once any changes have been agreed.

If you have any questions about the information in Pension News or you would like a copy of the full Report and Accounts, please contact the GUS Pensions Team at Capita Hartshead.