

pension news

GUS MONEY PURCHASE PENSION PLAN MEMBERS' NEWSLETTER | SUMMER 2005

enjoy life to the full

Welcome to the Summer 2005 edition of Pension News

Pensions have been a 'hot topic' in the press since we sent you *Pension News* last November. They even became a talking point in the recent General Election as the main political parties set out their proposals for dealing with the so-called 'pensions crisis'. In this *Pension News* we consider some of these issues, together with changes to the GUS Money Purchase Pension Plan (MPPP) that we think will be of interest to you as a member.

In future, we aim to issue two newsletters each year, which will include highlights from the Trustees' Annual Report & Accounts and periodic updates on how the Plan's investment funds are performing. A copy of the full Annual Report & Accounts for the Plan year ended 31 March 2004 can be obtained from Group Pensions by telephoning 020 7318 6234 or e-mailing guspensions@capita.co.uk.

If you have any queries about the Plan or your individual account please contact the GUS Pensions Team at Capita Hartshead;
E-mail: guspensions@capita.co.uk
Telephone: 0114 2298 273
Address: GUS Pensions Administration Team, Capita Hartshead, 257 Ecclesall Road, Sheffield S11 5BN



This edition of *Pension News* includes information about

- + nominations to the Board of Trustees who are responsible for managing the Plan + the Group's strategic review
- + 'new look' annual benefit statements + online access to pension details for active members +
- an update on the Plan's investment performance + plan charges + and changes in the law affecting pensions



A message from David Morris, the Chairman of the Trustees



I have been a Trustee of the MPPP since it began back in 1997 so I was delighted to be asked by GUS to become the Plan Chairman following my retirement as Company Secretary of GUS in the Autumn of last year. My predecessor as Chairman, Michael Corlett, has done an excellent job over the last eight years and he will be a hard act to follow. However, I'm confident that with the help of my fellow Trustees, the pensions team at GUS and the other experts who ensure the smooth running of the Plan, it will continue to be a convenient and cost effective way for members to save for their retirement.

In the next few editions of Pension News we will feature the various advisers involved in the Plan, such as the investment adviser, the lawyers and our investment manager. At a time when pensions are constantly featured in the press and on TV – and not always in a positive light – I hope you will find it encouraging to know that the MPPP is supported and helped by some of the top firms in the country.

My aim – and that of my fellow Trustees – is to ensure that you receive the best service possible from the MPPP so that when you eventually retire or leave the Plan your GUS pension savings will form a solid foundation for a long and enjoyable retirement. I hope we can build on this foundation together.

David Morris

David Morris
Chairman of the Trustees

Investment update

A summary of the performance of each of the GUS MPPP funds is set out below. The new passive funds, including the Balanced Lifestyle option, introduced in January 2005, track the appropriate indices and brief details about their performance in the 1st quarter are also included below.

Market background – year to 31 March 2005

After a slow start, during which the UK and other leading international stockmarkets drifted lower, investor confidence returned in late July 2004 and there was a prolonged upward move until mid-February 2005. This was driven by the continuing strength of the global economy and by positive news about corporate profitability and dividends. However, share prices generally fell back during March 2005, as a range of concerns, from rising oil and commodity prices to anxiety about slower economic growth, undermined earlier optimism and dampened investors' appetite for risk.

Once again, there were wide variations in the performance of different sectors and at an individual stock level. Areas such as steel, mining, electricity and real estate made substantial gains, whilst information technology hardware, household goods and textiles recorded sizeable losses.

Specialist UK Equity Fund – this Fund, which is actively managed, continues to perform very well. Over the year to 31 March 2005 the Fund matched the performance of the FTSE All-Share Index, with a return of 15.6%. The 1st quarter of 2005 saw the Fund beat the Index by 3.2% (6.2% v 3%) and over three years the performance was 7.1% for the Fund compared with 2% for the Index.

UK Index-linked Gilt Fund – over the past year (and over the five years to 31 March 2005), the Fund performed in line with its comparable Index. Over three years, performance has lagged the Index by 0.1%. The Trustees are considering whether it would be sensible to switch to the Index-linked passive fund as the costs are marginally lower.

Cash Fund – over the past one, three and five year periods, the cash fund has beaten its benchmark – the London Interbank seven day deposit rate. The return to 31 March 2005 was 5%, compared with the benchmark of 4.7%.

Passive UK Equity Fund – this Fund beat the FTSE All-Share Index by 0.1% in the 1st quarter, with a return of 3.1%, compared with the benchmark of 3%.

Passive International Equity Fund – this Fund under-performed its benchmark by 0.3% in the 1st quarter, with a return of 0.4% compared with the benchmark of 0.7%.

Passive Index-linked Fund – this Fund out-performed its benchmark Index by 0.1%, with a return of minus 0.2%, compared with the benchmark of minus 0.3%.

The Trustees, through their Investment Committee, continue to monitor performance regularly to ensure that the returns to members are in line with, or better than, the Fund benchmarks, and that costs are as low as possible. ■

Annual benefit statements

This Autumn, when you receive your personalised benefit statement for the year to 1 April 2005, you will notice something different. This year, we will be including details of your **State Pension entitlement** on your statement, as well as your **MPPP fund** unless you opted out of this extra service.

You should already have received a letter from Capita Hartshead, the Plan's administrators, offering you the opportunity to receive this additional information, which will be provided to Capita Hartshead by the Department for Work and Pensions. If you have not had a letter about this, please telephone Capita Hartshead on 0114 2298 273.

If you would like to find out more about State pensions generally, you can contact the Pension Service at the Department for Work and Pensions on 0845 3000 168 or at www.thepensionsservice.gov.uk/ ■

Company strategic review

On 25 May, GUS announced its results for the year to 31 March 2005. At the same time, the Company said that it was GUS' intention to sell its 66% shareholding in Burberry later this year. Discussions are taking place with Burberry about the impact of the demerger on their employees who are members of the GUS MPPP. There will be no impact on Experian, ARG or GUS plc members.

GUS also said that the separation of ARG and Experian would be undertaken "at the right time in the future". Once the time and method of separation is clearer, GUS and the Trustees will ensure that any pension implications are taken fully into account. ■

Online access

If you like managing your finances online you will no doubt be familiar with the GUS MPPP website which contains information about the Plan and its investment funds. So far, however, the site has not allowed you to access your own pension details – but that's all about to change. From June, a new website, accessed through the Capita Hartshead site, will allow active members to have online access to their own pension details and Plan documentation. You will be able to get your current fund value(s) online and initiate investment instructions.

If you are an active member of the Plan you should already have received your personalised access details. If you have not, or have any queries about your access details or the online facility, please contact the GUS Pensions Team at Capita Hartshead. From April 2006, we hope to extend this facility to deferred members. We will keep you informed of developments in future editions of *Pension News*. ■

An update on Plan charges

The main Plan charges are £19 a year for active members and £11 a year for deferred members, which goes towards the cost of administering each member's pension account. In addition, active members pay towards the cost of their life insurance cover of 3 x salary. Apart from some investment charges, which vary depending on the investment funds you choose, all the other administration, actuarial, legal and accounting costs are met by the employers who participate in the Plan.

The member charges haven't been increased since the Plan was introduced but, like every other service we pay for, the various costs of running the Plan have increased significantly over the past eighteen months. New legal requirements have meant that we have had to take legal advice more frequently on things affecting the Plan, and the introduction of new investment funds at the start of the year involved a lot of work for our investment advisers. Capita Hartshead, who took over the administration in April 2004, have a different charging method for administering the Plan.

The result of all these changes is that we are in the process of reviewing the Plan member charges, and the likelihood is that they will increase in the next six to nine months. We will let you know the outcome of the review later in the year but will make sure that you get ample notice of the changes and when they will take effect. ■

Member Nominated Trustees

We are in the process of updating the Member Nominated Trustee (MNT) arrangements for the Plan. If you have been an MPPP member for some time, you will know that the Trustees play a crucial role in the Plan's management and you will have received a letter explaining the background to the MNT changes.

Briefly, the current arrangements for selecting MNTs were approved by members in 1999 and were intended to run for six years. They allowed for a total of twelve Trustees, seven appointed by GUS; and five selected by the members – the MNTs.

The six years are now up and, following the sale of some of GUS' businesses, GUS and the Trustees agreed that the Trustee arrangements no longer reflected the current GUS group structure. Under the revised Trustee structure, active members of the Plan will select two Experian employees, two ARG employees and one Burberry or GUS plc employee, to act as MNTs. The proposals were approved by members in April and active members were asked to submit nominations for the vacancies by 18 May.

We received nominations from two Experian members, three Argos members and two Burberry/GUS plc members. At the time of writing, elections are underway to choose the Argos and Burberry/GUS plc MNTs. We will report the outcome of the election process in the Autumn edition of *Pension News*, when we also hope to include pictures of all the MPPP Trustees. ■

Keeping us informed

None of us likes to be reminded of our mortality and fortunately, there are very few deaths amongst MPPP members each year. However, one simple action now can make sorting out the benefits payable from the Plan in the event of your death much easier and quicker. This is to make sure you keep your **death benefits nomination form** up to date.

The nomination form is not binding but it does help the Trustees decide who should receive any benefits payable in the event of your death. If you have not yet completed a form, or wish to change it (which you can do at any time), please contact the GUS Pensions Team at Capita Hartshead. ■



Members of the GUS Pensions Team at Capita Hartshead (from left to right): Paul Capel, Lindsay Ross, Kirsty Snowden, Roy Carrapatoso, David Taylor and Kathryn Wilcock.



A new pensions framework

2004 proved to be a significant year for UK occupational pension provision. Two major Acts of Parliament affecting pensions were passed – the Finance Act and Pensions Act – and both will have a long-term impact on the nature and scope of occupational pension schemes like the MPPP.

The Pensions Act became law in November 2004, and the changes it introduced take effect at various stages between April 2005 and April 2006. Some of the most important are set out below:

Trustees' knowledge and understanding

The Government has recognised the important role performed by pension scheme trustees and is keen to ensure that all trustees are familiar with the details of their own schemes, and pensions law in general. From April 2006, trustees must have a level of knowledge and understanding that is sufficient for them to carry out their duties properly, and they must be conversant with the key scheme documents. Codes of practice, issued by the Pensions Regulator, will set out what trustees are expected to know on matters such as pensions and trust law, funding and investment.

With the addition of some new Trustees to the Trustee Board, and in the light of all the new legislation, we are adding to the training we offer to Trustees to ensure that they have all the necessary knowledge and understanding to carry out their duties as efficiently and effectively as possible.

Benefits for 'early leavers'

Currently, members who leave employment with less than two years' pensionable service receive a refund of their own contributions (less a deduction for tax). They do not receive any benefit from employer

contributions made on their behalf. From April 2006, members of the MPPP who leave employment with between three months' and two years' pensionable service will be given the right to transfer the full value of their individual pension account, including employer contributions, to an alternative pension arrangement. If the transfer option is not accepted within a specified period then the Trustees can arrange for the members' contributions to be returned to them instead (less a deduction for tax). In these circumstances, the member will not receive any benefit from employer contributions made on his or her behalf.

The Pensions Regulator

A new Pensions Regulator replaced the Occupational Pensions Regulatory Authority (OPRA), from April 2005. The Regulator's main objectives are to protect the pensions of members of occupational pension schemes and to promote good administration. The Regulator intends to issue 'codes of practice' setting out the standards it expects schemes to meet and containing practical guidance for people who manage pension schemes, and for trustees.

Inflation-proofing of pensions

The Pensions Act has relaxed the requirements that apply to inflation-proofing of pensions in payment for money purchase schemes like the MPPP. Consequently, members who retire after 6 April 2005 are able to choose whether or not to purchase a pension that increases after it starts.

Pension protection on transfer of employment

Previously, if an employee was transferred to a new company under rules which are known as The Transfer of Undertakings (Protected Persons) Regulations, (more commonly known as 'TUPE') their past pension entitlement was protected but there was nothing to guarantee them a pension for future service with the new company.

This is another area that has changed since April 2005. Now, if an employee has a pension entitlement before his or her employment is transferred, the new company must recognise this and offer a pension contribution for future service. The details are complicated but the overall effect is to increase pension scheme members' protection.

Internal dispute resolution procedure

The MPPP, like all pension schemes, has a two-stage process introduced by the Pensions Act 1995 for resolving disputes with members. This could now be replaced with a more flexible process but the Trustees are waiting for guidance from The Pensions Regulator in the form of a code of practice before making any decision to change. Fortunately, we have very few formal disputes with members so whatever the outcome it is likely to have little effect on the operation of the MPPP.

New Member Nominated Trustee (MNT) requirements

The current law on MNTs gives employers two options – to comply with very detailed rules for appointing MNTs, or to 'opt out', and providing the members agree, to put its own arrangements in place. Most employers have taken the opt-out route and introduced MNTs in a way that best suits the circumstances of the scheme, the members and the company. However, it can mean that some schemes do not have any MNTs.

The Government is changing the law from April 2006, to ensure that at least one third of trustees are nominated by the active (and where appropriate, pensioner) members. Employers will no longer be able to implement alternative arrangements with the approval of members. The MPPP already complies with the new requirements.

The Pensions Act was closely followed by the Finance Act, which became law in July 2004. The Finance Act introduced significant changes, which aim to simplify the taxation of occupational and personal pensions, from 6 April 2006. The next edition of *Pension News* will take a detailed look at the changes introduced by the Finance Act 2004. ■

And finally... we hope you have found this edition of *Pension News* helpful, and, as always, welcome any comments or suggestions that you may have about its content or layout. These should be sent to Group Pensions, GUS plc, One Stanhope Gate, London W1K 1AF. The next edition of *Pension News* will include + a look at your April 2005 benefit statement + the new Trustee board, following the recent changes + an update on Plan Charges + a feature on our investment managers + a summary of the changes introduced by the Finance Act 2004 + and much more...