

NEC

Summary Funding Statement and important information

NEC Staff Pension Scheme (UK)



Member Nominated Trustee (MNT) election

Following the MNT election process which concluded in April 2014, the term of office for both David Lyons and Finlay Black was extended for a further term of three years.

National Fraud Initiative

The Scheme will be participating in a Data verification exercise operated by the Audit Commission. This exercise is intended to assist in the prevention and detection of fraud. For this initiative we have provided details of pensioner and deferred members so that they can be compared to National Government Data. This will ensure, for example, that no pensions are being paid to persons who are deceased or no longer entitled to benefits from the Scheme. The processing of data by the Commission in a data verification exercise is carried out under its powers of part 2A of the Audit Commissions Act 1988. This does not require the consent of the persons concerned. You therefore do not need to take any action in this respect.

Independent Financial Advice

Your pension savings are extremely valuable and you should certainly take the opportunity to check your position from time to time and not make any decisions without taking Independent Financial Advice. This will be particularly important if you are nearing retirement or considering transferring your pension.



What is a pension scam?

Pension scams can be given a number of labels, including-

- pension loans
- early pension release
- pension selling
- cashing in your pension
- pension liberation.

A pension scam is when you agree to transfer your pension savings to an arrangement that will allow you to access your funds before you reach the age

of 55, or as cash in larger quantities than are currently allowed under the law.

In rare cases – such as terminal illness – it's possible to access your pension pot before the age of 55. However, for most people, promises of early cash are false and members will probably lose most, if not all, of their savings. In the future, members may be able to take more than 25% of their pension savings as a cash lump sum after age 55 – but this would not come into effect until at least April 2015.

Website

The Trustees are pleased to introduce a new Web Site for all Deferred and Pensioner Members. This web site can be used to gain general information about the Scheme, Pensions News and Scheme Contact details.

<http://necstaffpensionschemeuk.info>.

Please note that this site does not hold any personal information about scheme members neither does it provide or hold valuations or statements of members benefits.





Important changes to pension savings

The Government has made changes to the way pensions work, some of which are in place now and some will come into effect from April 2015.

From 27 March 2014, the limits that apply to anyone with small amounts of pension savings has changed.

If you are 60 or over and either:

- Your pension pot in any one scheme is worth no more than £10,000
- Your total pension savings from all sources (excluding state pensions) are worth no more than £30,000

You may be able to take those benefits as a one off cash sum and not have to buy or receive a pension at all. From April 2015 this option is also expected to be made available to people aged 55 or over who meet one of the conditions shown above. These rules currently apply to both defined contribution and defined benefits arrangements. Income tax is normally

payable on any cash sum above the first 25% which is tax-free.

There will also be an option to withdraw money from your pension savings over time. Although initially this will only apply to Defined Contribution Schemes, the Government is considering offering Defined Benefit arrangements the same freedom.

These are significant changes to how pension schemes can operate and more details are being established as we move towards April 2015. Please continue to look out for further communications which may help you to understand the options available under the Scheme and how they relate to your circumstances.

Neither the Trustees nor Mercer can provide you with advice on the best options for you as you approach retirement. We recommend that you get advice to help you make the right decision about your income in retirement.

Summary Funding Statement 2014

What is a Funding Statement and why is it needed?

The Trustees are required to send you an annual statement that provides a summary of the Scheme's financial position – you may remember that we sent you a similar statement last year.

How is the Scheme's funding position measured?

The Scheme's funding position is measured by a complex actuarial valuation that is carried out at least every three years by the Scheme's appointed independent actuary. The latest actuarial valuation took place on 30 June 2012.

What were the results of the 30 June 2012 actuarial valuation?

The actuarial valuation at 30 June 2012 showed that:

- The value of the Scheme's liabilities was: £148.3 million
- The Scheme's assets were: £121.2 million
- The Scheme had a shortfall of: £27.1 million

In the period between valuations, the actuary checks the Scheme's funding position regularly. In last year's Funding Statement,

we reported that the Scheme's funding position had improved since 30 June 2012, with a shortfall between its assets and liabilities at 30 June 2013 of £14.2 million, equivalent to a funding level of 91%.

How is the shortfall going to be paid off?

Following the actuarial valuation as at 30 June 2012 and the actuarial report as at 30 June 2013, the Trustees agreed with the Company a plan to clear the 30 June 2013 shortfall of £14.2 million by 31 March 2017. As at November 2014, the Company has paid £4.4 million of contributions since July 2013 and is expected to pay another £8.3 million between now and 31 March 2017.

How has the Scheme's funding position changed since 30 June 2013?

Since 30 June 2013, the funding position has improved, with the shortfall at 30 June 2014 estimated to be £10.8 million, equivalent to a funding level of 93%. The improvement since 30 June 2013 has been caused by favourable aspects of Scheme experience, such as better than expected investment returns achieved on the Scheme's assets over the year, a fall in market implied inflation over the year, which has reduced the value of the Scheme's liabilities and the Company paying extra

money into the Scheme as part of the plan to clear the shortfall. This has been offset to some extent by a fall in gilt yields over the period, which increases the value placed on the liabilities.

Is this change in funding position unusual?

It is important to remember that pension schemes are long-term investments. Investment market conditions, which affect the value of both the Scheme's assets and liabilities, change on a daily basis. Fluctuations in the Scheme's funding position from year to year are therefore common, in particular in the recent uncertain economic climate. At present, most pension schemes have a funding shortfall.

What would happen if the Scheme suddenly had to be stopped?

The actuarial valuation also looked at the situation if the Scheme was to be discontinued and members' benefits secured with an insurance company. At 30 June 2012, the Scheme's assets would have been sufficient to secure, on average, 60% of members' benefits with an insurance company. This situation is typical of the majority of UK pension schemes. The Trustees are required by regulation to

disclose this information to you. We currently consider it unlikely that the Scheme will be discontinued.

How important is the Company's support of the Scheme?

The Company has confirmed to the Trustee Directors that it currently has no intention of discontinuing the Scheme and that it is committed to paying extra contributions where necessary to fund the shortfall. However, it is important to remember that the Scheme currently relies on the Company's continuing support.

Where do I get further information?

You can obtain further information by contacting either Mercer (the Scheme Administrators) Westgate House, 52 Westgate, Chichester, West Sussex PO19 3HF or the Trustees' Office, Athene, Odyssey Business Park, West End Road, South Ruislip HA4 6QE.

**Trustees Office, Athene, Odyssey Business Park,
West End Road, South Ruislip, Middlesex HA4 6QE.**