GUS

pension *news*

GUS MONEY PURCHASE PENSION PLAN MEMBERS' NEWSLETTER | **SPRING 2006**

enjoy life to the full

Welcome to the Spring 2006 edition of *Pension News*

We will, in future, issue two newsletters each year to members - one in Spring and one in Autumn. The Autumn newsletter will include a summary of the Plan's annual report & accounts, and will accompany annual benefit statements.

If you have any queries about the Plan or your benefit entitlement, please contact the GUS Pensions Team at Capita Hartshead:

Email: guspensions@capita.co.uk

Telephone: 0114 2298 273

**Address: GUS Pensions Team,
Capita Hartshead,
257 Ecclesall Road,
Sheffield, S11 8NX**

Left to right: Stuart Jenkinson, Patrick Butterworth, Lindsay Jessop and Craig Macfarlane

Member Nominated Trustees

As previously reported in *Pension News*, three new Member Nominated Trustees (MNTs) were appointed in the Autumn. A fourth MNT, Craig Macfarlane, was reappointed after serving as an MNT since January 2000. They are shown in the picture opposite. Stuart Jenkinson is an Internal Auditor with Experian; Patrick Butterworth works for Argos as a Finance Manager; Lindsay Jessop is a Business Continuity Co-ordinator for ARG Contact Centres; and Craig Macfarlane is a Business Development Manager at Experian.

This edition of *Pension News* includes a look at the work of the Plan Actuary and Investment Manager + detailed information on changes to Plan benefits resulting from the new UK pensions framework + an update on Member Nominated Trustees + other Plan changes

The Investment Manager

Prudential M&G are investment managers to the Plan and have been so since March 2000. They manage all of the funds currently available for members. Most of the Plan's assets are invested in the Specialist UK Equity Fund, which is managed by Tom Dobell (pictured).

Tom Dobell joined M&G in 1992 and is well known to the Trustees and their advisers, meeting with them regularly to discuss performance and strategy of the Fund. Before joining M&G, Tom was a fund manager in the charity and small pension fund division at Phillips & Drew.

MPPP members can invest in the Specialist UK Equity Fund either as a stand-alone investment option or through the Specialist Lifestyle option. Other investment options are available, and members should choose based on their own circumstances and if necessary take their own financial advice.

Website update

Deferred members of the MPPP should note that the member website address at http://gusmppp.com is no longer available.

This change does not affect access to the member website at http://addvantage.capitahartshead.co.uk/gus/, for active members of the MPPP.

The new UK pensions framework

As mentioned in previous editions of *Pension News*, the last two years have proved to be a significant period for UK occupational pension provision.

In Summer 2005, we considered the changes introduced by the Pensions Act 2004 which came into effect at various stages between April 2004 and April 2005. The Autumn 2005 *Pension News* took a look at the main changes arising from the Finance Act 2004, most of which took effect from 6 April 2006.

The detailed regulations for many of these changes have now been issued and GUS and the Trustees have considered, at length, the practical implications of these changes for the MPPP and its members. This edition of *Pension News* includes:

- a recap of the main changes introduced by the new legislation
- changes to the Plan from 6 April 2006 as a result of the new legislation
- a summary of the changes for future reference (enclosed)

The Trustees have been working closely with their advisers to ensure that Plan documentation, systems and processes are updated to reflect the changes.

The Pensions Act 2004

Trustees' knowledge and understanding – from April 2006, legislation requires trustees to 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 Plan documents.

Benefits for early leavers – from 6 April 2006, members who leave with between 3 months' and 2 years' Plan membership will be entitled to a transfer value of their individual account, including the Company's contributions.

The Pensions Regulator (TPR) – a new Pensions Regulator replaced the old pensions supervisory system from April 2005. The objectives of TPR are to protect the pensions of members of occupational schemes and promote good administration.

Inflation-proofing of pensions – from 6 April 2005, members have been able to choose whether or not to purchase a pension that increases after it starts.

Michael Corlett

'The end of an era' is a phrase often use by the media these days - sometimes about events that do not really justify the description.

However, there was a real sense of 'the end of an era' when the Trustees of the MPPP met in October to express their good wishes to Michael Corlett, who retired at the end of September 2005 as a Trustee and first Chairman of the Plan.

Michael played a key role in setting up the Plan in 1998 and, as a long-standing Trustee and Chairman of the GUS Pension Scheme, he was the natural choice to be invited to become Chairman of the Plan. Michael brought to this role many years of experience as an investment manager with the then National Westminster Bank.

However, Michael's attributes were not limited to his investment skills. He brought to the role tact, diplomacy and, more particularly, independence; qualities which made him an ideal Chairman who was trusted equally by the Company and Plan members alike.

Michael's tenure as Chairman saw significant changes both in the world of pensions and in GUS, as the Group's restructuring resulted, amongst other things, in the sale of its Home Shopping and related businesses. Michael, however, always remained 'ahead of the game' and his expertise, influence and wise counsel will be greatly missed.

In thanking him for his enormous contribution to the affairs of the Plan, we wish him continued good health in his retirement.

The Finance Act 2004

The Finance Act 2004 primarily aims to simplify the tax regime for tax-approved (registered) pension schemes from April 2006. It replaces the existing regime of different limits for benefits, contributions and tax-free cash with a single set of tax allowances for all registered pension schemes.

The new tax treatment - relevant to all members

Benefits

From 6 April 2006, a Lifetime Allowance (LTA) of £1,500,000 (2006/7) will apply to the amount of total tax-free pension savings that can be built up by members of registered schemes by the time they retire.

The LTA is expected to increase each year broadly in line with price inflation. At retirement, any pension savings that exceed the LTA will be subject to an overall tax charge of 55% (if they are taken as a cash sum).

If the value of your current pension benefits are above the LTA, or if you believe they will exceed the LTA before you retire, you may need to register for 'transitional protection'. If you think this may be relevant to you, and if you have not been contacted already, please let the GUS Pensions Team at Capita Hartshead know as soon as possible.

To help you monitor your LTA position, annual benefit statements for active and deferred members will, in future, show:

a) Your total fund value to date expressed as a percentage of the LTA

b) An illustration of your projected fund value at retirement expressed as a percentage of the LTA, based on various (non guaranteed) assumptions

Contributions

From 6 April 2006, the limit on tax-free pension contributions to registered pension schemes will increase from 15% to 100% of taxable earnings. However, an Annual Allowance (AA) of £215,000 (2006/7) will apply to the amount of pension savings that can be built up each year tax-free. It is the actual amount of member and Company contributions that must be taken into account when assessing benefits for the purpose of the AA (or the amount of SMART contributions plus the Company's normal contributions).

Additional contributions to your normal member contributions (or SMART contributions if relevant to you) also count towards the AA. After April 2006, these can be paid to the MPPP as Additional Voluntary Contributions (AVCs), Additional Normal Contributions (ANCs) or to a separate pension arrangement, such as a stakeholder pension. **MPPP members may want to consider starting or increasing additional contributions to provide additional pension or tax-free cash at retirement. ANCs and AVCs are a tax-efficient way to save for your retirement.**

The AA is expected to increase each year, and any change in pension savings that exceeds the AA will be taxed at 40% and must be declared on a self-assessment tax form.

Annual benefit statements already show the total contributions paid during each Plan year.

eg. MPPP contributions based on a member who earns £20,000 per year

3% member normal contribution (or SMART contribution)	=	£600 per year
(6% example) Company normal contribution	=	£1,200 per year
AVCs paid	=	£200 per year
AA check [£600 plus £1,200 plus £200]	=	£2,000

Tax-free cash sum at retirement

From 6 April 2006, up to 25% of your MPPP individual account, including any additional contributions, can be taken as a tax-free cash sum (provided that the value of your account is within the LTA). Previously, ANCs could be taken as tax-free cash but AVCs had to be taken in pension form. This change to the tax rules removes a key distinction between ANCs and AVCs.

Tax-free cash for contributions paid before April 2006 will still be based on the old tax rules, if these allow a lump sum of more than 25%.

GUS and the Trustees have agreed to amend the Plan Rules to reflect the new tax rules and will keep the Plan's options for additional contributions under review.

For members who choose the Specialist Lifestyle investment option on or after 1 April 2006, the target cash holding at normal retirement age will change from 35% to 25% in line with the new tax rules.

Multiple pension arrangements

Under the previous HMRC rules there were restrictions on the number of pension arrangements that an individual could contribute to at any point in time. However, these restrictions do not apply from 6 April 2006. From then, members can pay into any number of external pension arrangements at any one time whilst also contributing to the MPPP, giving greater flexibility and choice about how and when to save for retirement.

Minimum pension age – important for all members

As widely reported, the Government is keen to encourage people to work longer. With effect from 6 April 2010, the minimum retirement age for registered pension schemes will increase from 50 to 55 (except in cases of ill-health).

The right to retire at age 50 will be protected for active and deferred members of the MPPP as at 5 April 2006. This protection will not be available to members who join the MPPP after 5 April 2006, and these members may need to review their retirement plans, particularly if they will be between ages 50 and 55 as at April 2010.

Benefits on death before retirement – important for active and deferred members

From 6 April 2006, the new pensions tax regime offers greater flexibility on the amount and form of benefits that schemes can provide, which means that your entire individual account can be paid as a tax-free lump sum in the event of your death (subject to the LTA).

GUS and the Trustees have agreed the amendments to the Plan Rules in light of the new requirements.

This article is only a summary of the complex legislative changes and is not intended to be a comprehensive document.

Member Charges

The last *Pension News* explained that member charges were being reviewed. This review has been completed and all members have been sent an individual letter confirming the new charges that will apply from 1 April 2006. If you have not received a letter you should contact the GUS Pensions Team at Capita Hartshead.

Salary sacrifice (SMART Pensions)

With effect from 1 April 2006, SMART Pensions will be introduced for active members of the MPPP who are eligible to participate. SMART will change the way that active members pay normal pension contributions and provides an opportunity to increase take-home pay by reducing the amount of National Insurance Contributions that are paid.

Active members have been sent a separate communication explaining the main features of SMART. If you have not received a communication or require further details in respect of SMART, you should contact the GUS Pensions Team at Capita Hartshead.

Please note the Company's normal pension contributions are not affected by participation in SMART, so overall contribution levels will remain the same before and after the introduction of SMART. SMART only changes the way that normal member contributions are paid.

The Plan Actuary

John Mason of Watson Wyatt Limited is the Actuary for the MPPP, and we asked him to outline his main responsibilities:

“Money purchase schemes like the GUS Money Purchase Pension Plan are increasingly becoming the main form in which companies provide pensions to their employees. It’s my role to act as the Plan’s Actuary to help the Trustees and GUS manage the Plan to the benefit of all its members.

There is now much greater public awareness of the whole subject of pensions, with the subject continuing to make headlines during recent months. In the light of rising life expectancy in the UK and falling interest rates, it is now more important than ever that employees make adequate provision for their retirement. The MPPP provides an excellent opportunity to save for retirement, as through it employees receive pension contributions from their employer to help build up their retirement funds.

The Plan has been in existence for some years and the Trustees are now responsible for one of the largest schemes of this type in the UK. I can personally vouch for the degree of attention which both the Trustees and GUS give to the Plan. My role is to advise the Trustees on all their duties relating to the MPPP, including ensuring that it has sufficient assets to meet its general running costs and helping to communicate the features of the MPPP to its members. In carrying out my duties, I am assisted by a strong team of individuals at my place of work, including David Wareing and Steve Postill.

I have now spent over 25 years in the actuarial profession, advising trustees and companies on their pension arrangements and helping them cope with all the changes that have occurred. I think it’s fair to say that more changes lie ahead and I look forward to working with the Trustees and GUS to help ensure the MPPP continues to meet the needs of its members”.

John Mason, the Plan Actuary

Investment update for the quarter (and year) to 31 December 2005

	Absolute Return for the quarter to 31 December 2005	Comparison against the Fund Benchmark over the quarter to 31 December 2005	Absolute Return for the year to 31 December 2005	Comparison against the Fund Benchmark over the year to 31 December 2005
Specialist UK Equity Fund	2.8%	Underperformed the FTSE All-Share Index by 1.5%	24%	Outperformed the FTSE All-Share Index by 2%
UK Index-linked Gilt Fund (No longer available)	3.6%	Underperformed the FTSE A Index-linked Gilts Index by 0.2%	9.1%	Underperformed the FTSE A Index-linked Gilts Index by 0.5%
Cash Fund	1.3%	Outperformed the Libor 7-day Index by 0.2%	5%	Outperformed the Libor 7-day Index by 0.3%
Passive UK Equity Fund	4.3%	Performed in line with the FTSE All-Share Index	21.9%	Underperformed the FTSE All-Share Index by 0.1%
Passive International Equity Fund	7.7%	Underperformed the composite benchmark by 0.1%	27.4%	Underperformed the composite benchmark by 0.1%

From 4 January 2006, the Trustees switched from the UK Index-linked Gilt Fund to the Passive Index-linked Gilt Fund and letters were issued to members affected by this switch.

Separation of ARG and Experian

On Tuesday 28 March, GUS announced its intention to demerge the ARG and Experian businesses over the next 6 - 12 months. If you are an active member of the MPPP, or a deferred pensioner, you may have wondered whether this will have any effect on your Plan benefits.

It is only a few weeks since the announcement and the separation process is at an early stage. However, if you are an Experian or GUS employee, or a deferred member, we do not expect the changes in the Group's structure to have any material impact on your GUS MPPP entitlement. If you are an ARG employee it is unlikely that you will be able to continue to contribute to the MPPP after the separation. ARG will be offering its own pension arrangements and will provide you with further information in the next few months. You can be assured, however, that the pension benefits you have built up in the MPPP to the date of separation will be protected. GUS, Experian and ARG will be working closely with the Plan Trustees over the next few months to resolve any practical issues and will ensure that you are kept fully informed.

If you have any concerns you can either contact Capita or Group Pensions using the contact details shown below.

Argos Retail Group

experian®

And finally... as we move beyond 6 April 2006 and into a new environment for occupational pension provision in the UK, we hope that you have found recent editions of *Pension News* informative and reassuring. Please continue to send your comments about *Pension News* to Group Pensions at GUS plc, One Stanhope Gate, London, W1K 1AF or email guspensions@capita.co.uk. We do value your comments.

The next edition of *Pension News* will include a look at the work of the GUS Pensions team + the Annual Report & Accounts for the year ended 31 March 2006 + changes to annual benefit statements + information on the new anti-age discrimination requirements.