Pension Newsletter
January 2016

VAILLANT GROUP
DEFINED CONTRIBUTION (DC) PENSION SCHEME

Be in control of your pension and win an iPad mini

The move of your fund onto Aegon's Retiready site has been a large project for Vaillant Group UK, and on the whole it has gone very well. Please note, your involvement is needed going forward so you remain in control of your pension. Your online pension access using the website Retiready is the place where you can track your savings, plan your future and make investment choices. We want you to make the most of it.

Therefore, those members who log on and activate their account before 29 February 2016 will be entered in a draw to win one of two iPad minis (one for Vaillant Industrial and one for Vaillant Commercial). Good luck!

Your Pension Account with Aegon

You are currently in the Vaillant Group DC Scheme with Aegon, and were emailed a link from 'noreply@aegon.co.uk' which contained details of how to log onto your pension account. The email should appear in your inbox and be addressed from 'Retiready no reply'. However, you may also need to check your junk mail. If you did not receive this link, or were unable to log on then please let the Pensions or HR Department know.

It's important to note that Vaillant Group have a long standing relationship with Aegon, who are one of the world's leading financial services organisations, providing life insurance, pensions and asset management. A public listed company, Aegon has A-level ratings from the three main Credit rating agencies.

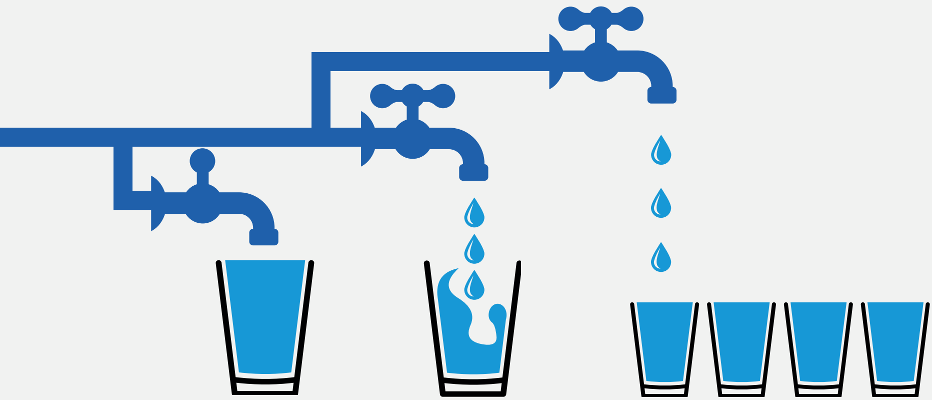
Pension statements

During November, you will have received a paper pension statement from Aegon. You need to keep this safe as it contains personal information, including your policy number. From April this year, these statements will be issued to your online account unless you let Aegon know you would prefer to receive paper statements. If you would like to continue to receive paper statements you need to call Aegon on 03456 801 234 to let them know – you will need your policy number when you call them.

Pensions flexibility

Before April 2015, legislation generally allowed anyone retiring from a DC pension scheme, such as the Aegon scheme, to take up to 25% of their pension savings as a tax-free cash lump sum, but the rest had to be used to buy a pension for life (an annuity) from an insurance company.

Government changes now mean that anyone aged 55 and over, with DC retirement savings, have more choice and flexibility about how to use them. Now you can:



Fully withdraw your pension pot as cash but beware as amounts in excess of the 25% tax free element will be taxed as income.	**Use your pension pot to buy a drawdown product** where the balance of the pot will remain invested and cash can be withdrawn from it at certain intervals as and when agreed or required until the pot is fully spent.	**Use your pension pot to buy a guaranteed pension** with or without the first 25% being taken as cash.

You can use the retirement income planner to look at these options in more detail, which can be found at **https://retiready.co.uk/retirement-income-planner.html**

How is your pension account invested?

Unless you have logged into your pension account and changed your investment options after June 2015, your fund will be invested in the default investment fund - the Mercer Growth Fund (cash target).

This fund is designed for members who are aiming to grow their pension account using a balanced risk fund. It invests in a range of investment types such as equities (stocks and shares in companies) property and bonds. In the eight years leading up to your retirement age your fund gradually and automatically invests more and more into cash, so that by your retirement age your pension account is completely in cash. Your retirement age is set at 65 unless you have chosen to retire earlier or later. However, you do not have to take your pension benefits at your chosen retirement age. If you wish to change your retirement age, you will need to contact Aegon by logging onto your online account at **www.retiready.co.uk**

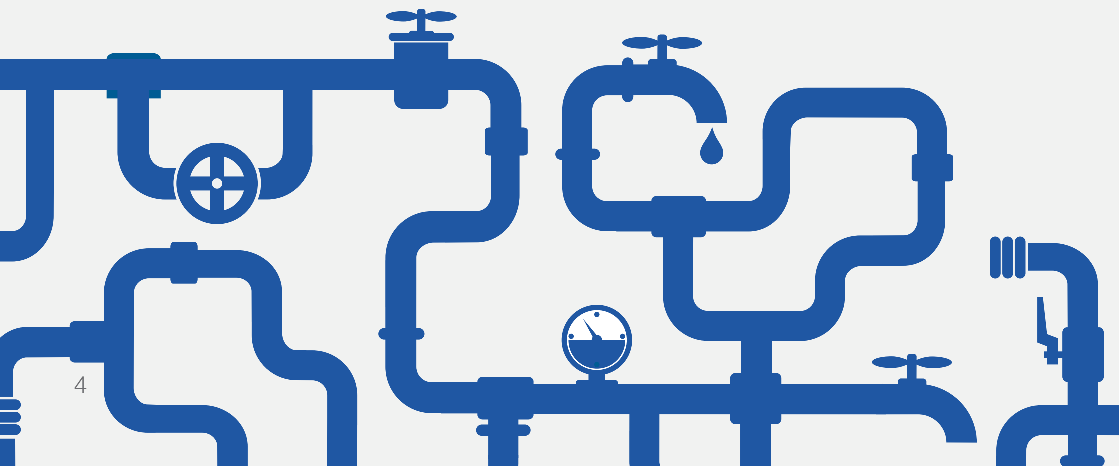
Vaillant Group have secured a low charge for the default fund which is currently 0.60% p.a.

Pension Scams – a word of warning

Whilst pensions have become more flexible from April 2015, legislation will still not allow access to benefits before the age of 55 (unless you meet the scheme requirements for ill health). If you are approached by anyone offering early access to your benefits it is very likely to be a scam!

The changing pension landscape has also led to scammers preying on members looking to make the most of the new flexibilities. Therefore you should be particularly careful of anyone who tries to persuade you to cash in your pension.

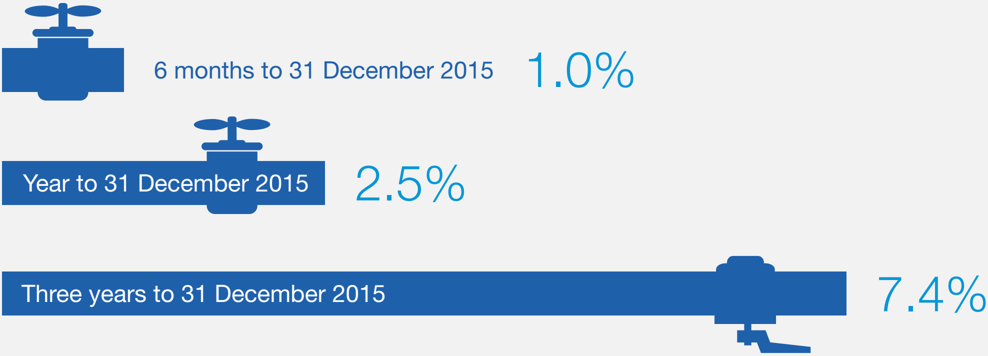
You can read more about pension scams by looking at:
www.thepensionsregulator.gov.uk/pension-scams



Your Scheme Investments

Unless you have made a personal choice to change the investment of your pension fund, it will be invested within the Mercer Growth Fund. The Mercer Growth Fund is a long-term fund which invests in a broad range of assets including different equity (stock) markets, real estate and bonds. Over the beginning of 2015 there has been significant volatility (or change) in the stock markets as a result of the Greece debt crisis and government intervention in the Chinese stock market. Against this backdrop it is not unusual for the Mercer Growth Fund to show negative returns and falls in pension fund values over such a short period of time. The short-term and longer-term returns are shown below.

Mercer Growth Fund Performance



Over the longer term, the Mercer Growth Fund has performed well, in line with expectations.

Those of you within eight years of the Scheme's normal retirement age of 65 (i.e. from age 57) will gradually and automatically have your Mercer Growth Fund switched into cash, which reduces the amount of expected volatility (i.e. change both up and down) in the value of your pension fund. This gradual switching of your investments into cash will happen automatically, unless you have made a personal decision to invest your pension fund in a different way.

The transition in April 2015, for those aged 57 and over did not happen as planned. Aegon have realised that those closer to age 65 may have been exposed to greater investment risk than intended. They are now investigating each individual case and if there has been a detrimental effect on your pension fund they will be compensating you for this. Aegon will write to all affected by this.

Tax allowance changes

Income tax changes

The Government will increase the income tax personal allowance from £10,600 for the 2015/16 tax year to £11,000 from 6 April 2016. The higher rate threshold, above which individuals pay income tax at 40%, has also been increased to £43,000.

The basic, higher and additional rates of income tax for employment income will remain at 20%, 40% and 45% respectively.

Annual Allowance

The Annual Allowance is the maximum amount of tax efficient pension savings which can be made each year. The current allowance is £40,000 but the Spring Budget announced that this will be reduced from 6 April 2016 for individuals with income over £150,000 a year (including the value of your pension contributions) or over £110,000 a year (excluding the value of your pension contributions). The allowance will reduce by £1 for every £2 of income over £150,000, reducing to a minimum of £10,000 for individuals with income of £210,000 or more.

Lifetime Allowance

The Lifetime Allowance is the maximum amount of tax efficient pension savings which can be made over a person's lifetime. As a general rule of thumb, members with income from all sources above £80,000 a year could be affected. If you believe this may apply to you please contact Ellen Ratcliffe, Pensions Manager, at Ellen.Ratcliffe@Vaillant-uk.com

State Pension Age is getting later

There is no fixed retirement age from the Company, however State Pension Age will increase from 65 to 66 between March 2019 and September 2020. It will then increase from 66 to 67 between April 2026 and April 2028 and then again from 67 to 68 between April 2044 and April 2046.

The Government has also announced plans to increase the minimum age at which an individual can begin to draw a pension (currently age 55) so that it remains broadly 10 years before State Pension Age. As a result, the minimum retirement age is expected to rise to 57 in 2028. This will have an impact on Scheme members looking to retire earlier than their Normal Retirement Age, although not until 2028.

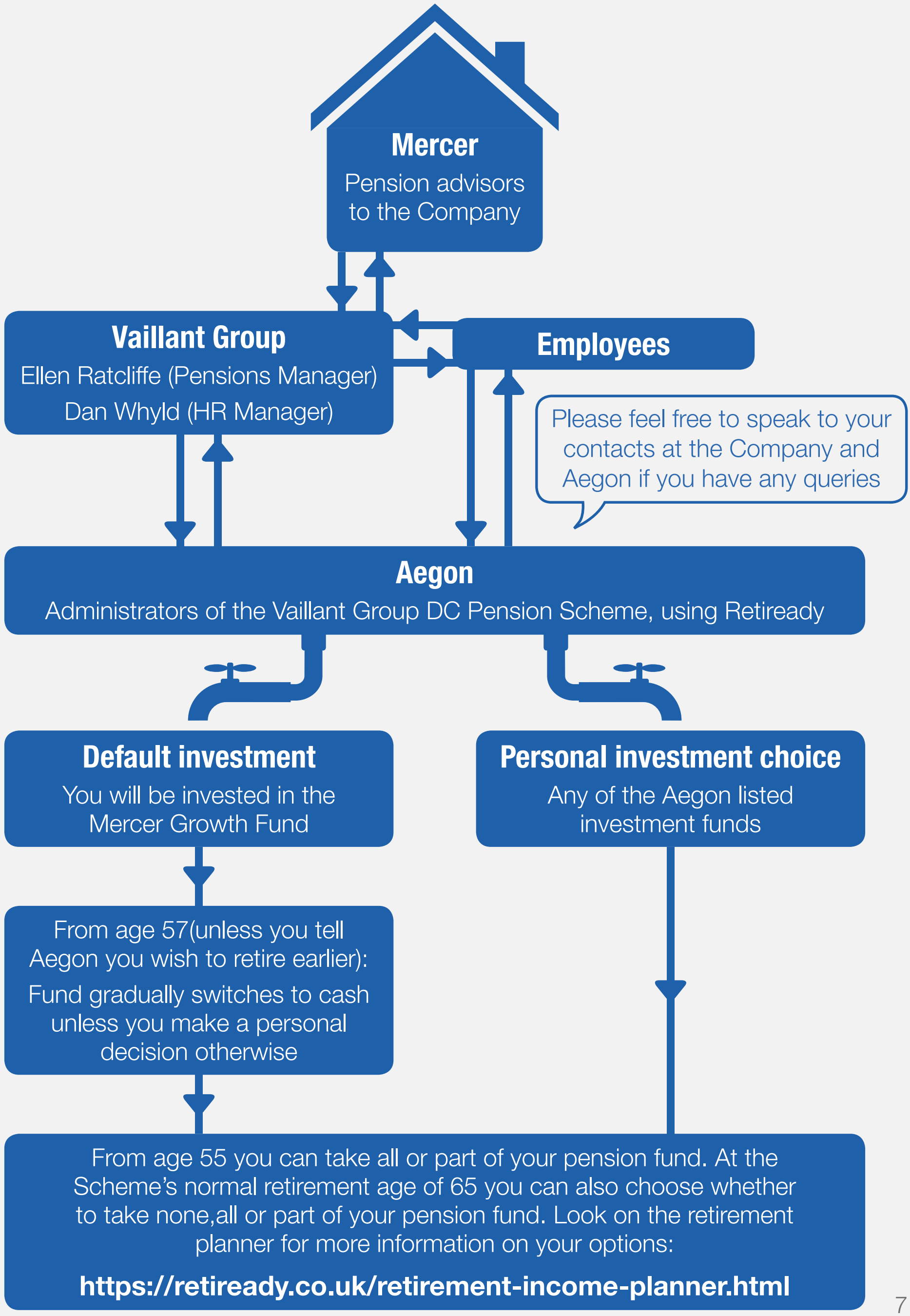
Changing State Pension benefits

The Government is in the process of introducing a new, single-tier State Pension which will be based on your age and National Insurance record. The main points to note are:

- If you reach State Pension Age before 6 April 2016 you will not be affected.
- If you contribute entirely to the new single-tier scheme, it will replace today's complicated State Pension.

If you would like more information on what pension you can expect from the State, you can find this at: **www.gov.uk/calculate-state-pension**

Advisor relationships and connections



Jargon buster

SIPP – a Self-Invested Personal Pension, which is the type of pension you have within the Vaillant Group DC Scheme.

Retiready – the online system used by Aegon to give you access to your pension savings.

Aegon – the administrators of your pension scheme.

Workplace Retiready Account – your pension scheme.

DC Pension Scheme / DC retirement savings – a type of pension scheme where your pension savings build up in a pot or account in your name, just for you. The pension benefits you get at retirement depend on how much is saved up in your account or pot.

Pensions Department

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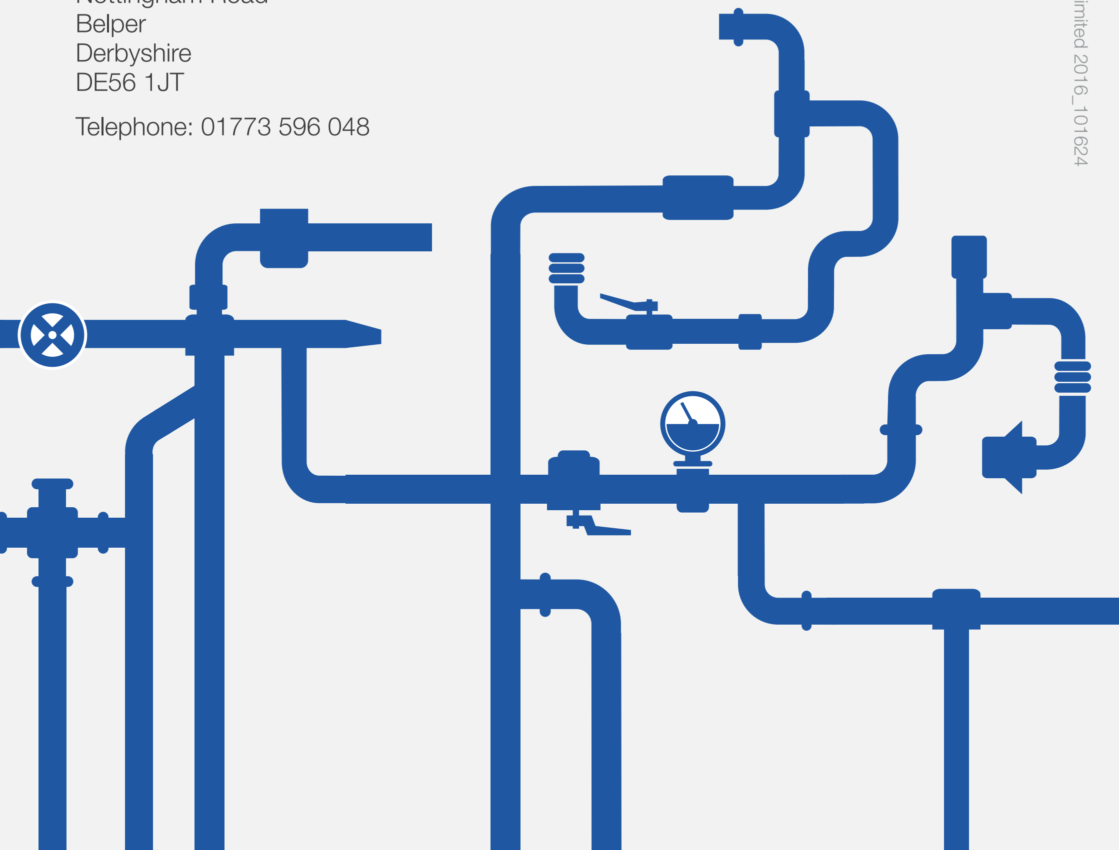

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