

Pension Newsletter

2016



**VAILLANT GROUP
DEFINED CONTRIBUTION (DC) PENSION SCHEME**

Welcome

I'm pleased to introduce the Annual Newsletter for the Vaillant DC Pension Scheme (the Scheme), keeping you up to date on developments with your Vaillant DC pension.

It's certainly been an eventful year, with the UK's decision to leave the European Union raising more questions than answers at this stage. On page 3, we take a look at what potential effect Brexit could have on the Scheme.

On pages 4 & 5, we explore how you can get the most out of your pension, pointing you in the direction of some useful tools that will help you to set a target and make sure you're on the right track to a comfortable retirement.

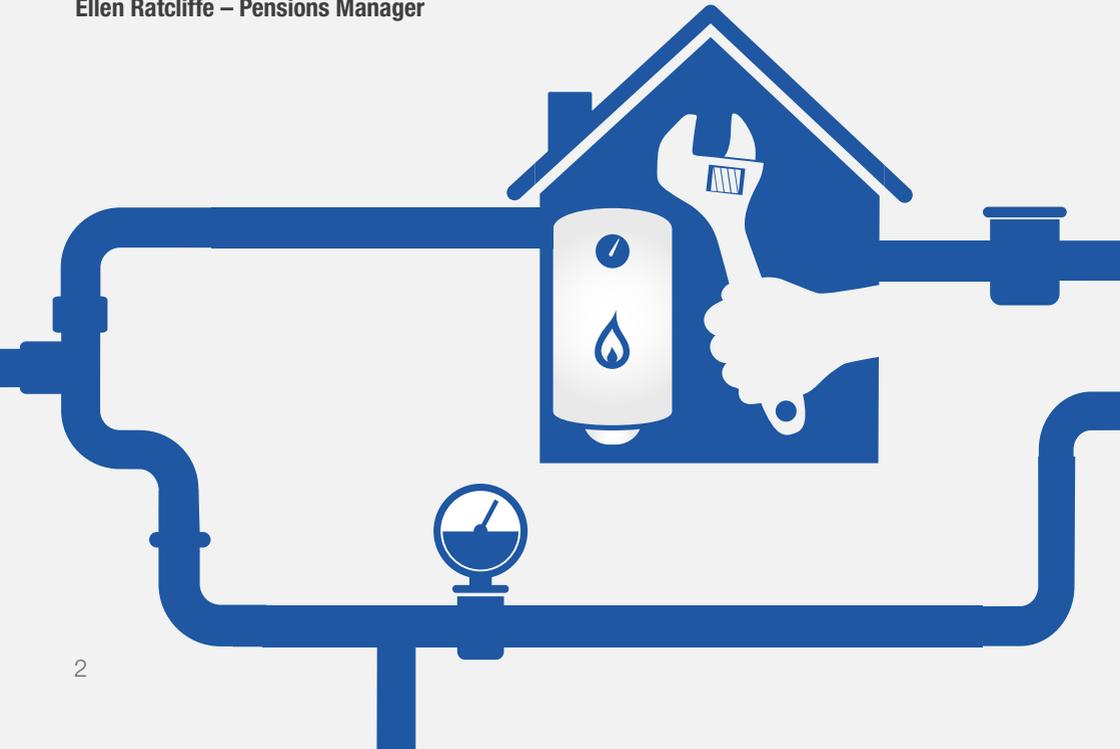
If you are invested in the Scheme's default investment fund, on page 6, we give you an update on how the fund has performed against its short and long-term targets.

Finally, on page 7, we tell you about changes to the State Pension which came into effect this year, as well as a reminder of how to access your online pension statement.

Going forward, we plan on issuing you with an online newsletter, rather than a printed version. This will be emailed to you using the address you have registered with the HR Department. If you would like to receive a printed version, you will be able to request this nearer the time.

I hope you find this newsletter useful and informative and as always, we welcome any feedback for how it can be improved for future editions.

Ellen Ratcliffe – Pensions Manager



Brexit and your pension scheme

As you will be aware, the UK's referendum on membership of the European Union was held on 23 June 2016 with the result yielding a victory for the "leave" campaign, with 52% in favour of exiting the EU compared to 48% who voted to remain.

At the time of printing, exactly when the UK will withdraw from the EU, and the terms of the future relationship are not currently known. The Company and their advisers will continue to monitor the situation and any impact this may have on the pension scheme. It is expected, however, that the value of your pension investments may change (go up and down in value) more while the future of the UK is discussed and negotiated. You may hear this being referred to as being 'more volatile'. We will keep you updated on the situation.

Please remember that saving for retirement is a long-term investment, and you should always seek advice from an independent financial adviser before taking any drastic action.

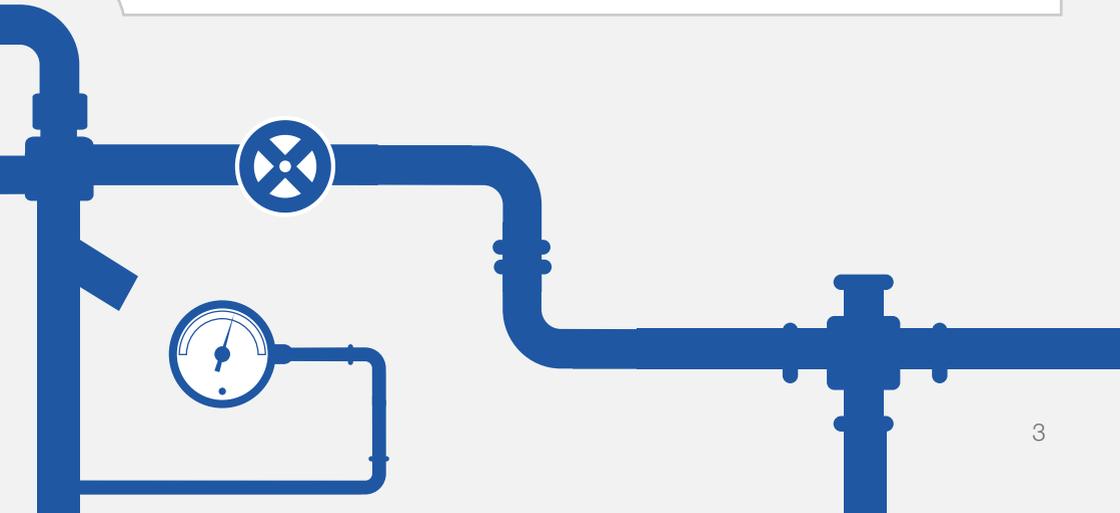


Scams – don't lose your savings!



With the economic uncertainties surrounding Brexit, pension savers could find themselves at an increased risk from fraudsters trying to steal their hard-earned funds.

Following the outcome of the referendum in June, there have been reports of people being contacted out of the blue by scammers, warning them to move their savings to off-shore investment funds in order to safeguard them from any potential risks of Brexit. Whilst some offers may seem tempting, they could result in you losing some or even all of your savings, so it's important to be vigilant. If you are thinking about transferring your savings, we recommend that you contact an authorised Independent Financial Adviser. You can find one in your area at: **www.unbiased.co.uk**



Money in your pocket – Vaillant gives you more, so you can do more

Did you know that Vaillant puts more money into your pension fund than the minimum required by the Government? This minimum is currently approximately 1% from you and 1% from the Company.

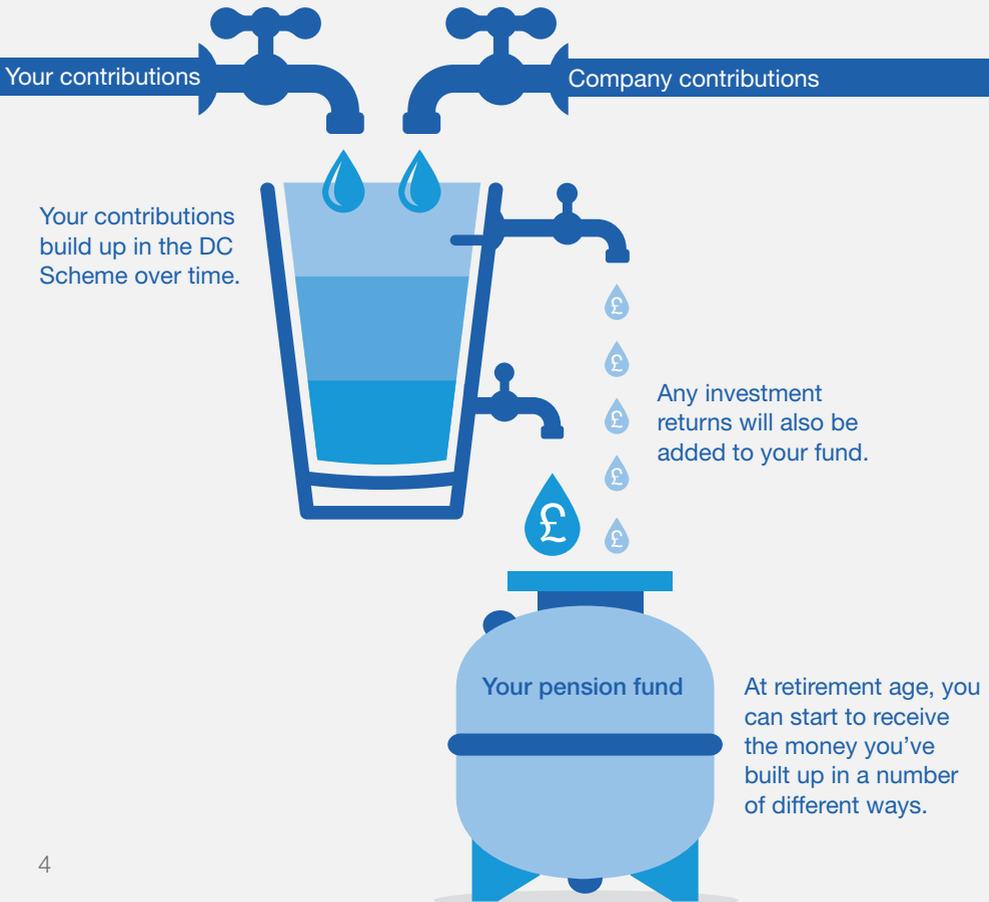
The money paid into your pension fund builds up for you every month, and is a very valuable part of the benefits package you receive from the Company. Plus, the more you decide to pay in, the bigger the advantage to you from salary exchange, giving your savings a further boost.

You can check how much money is in your pension fund, looked after by Aegon, by logging onto Aegon's Retiready system using the following link:

www.retiready.co.uk



If you need any help logging on, please contact Ellen Ratcliffe (Pensions Manager) or Dan Whyld (HR Manager). Their contact details can be found on the back page.





How much is enough?

When it comes to saving for retirement, it's important to set yourself a target. How much pension you will need is different for everybody, and you can get your own personal estimate by heading to: www.retiready.co.uk/retirement-income-planner/pension-calculator.html

You will need to use the green 'work out your needs' button. A very rough rule of thumb is that you will need at least half of your current salary as a pension, but it all depends on the lifestyle you want in retirement.

How do I save enough?

Once you have an idea of how much you will need, you can work out how to get there by using the planner at: www.retiready.co.uk/retirement-income-planner/options.html

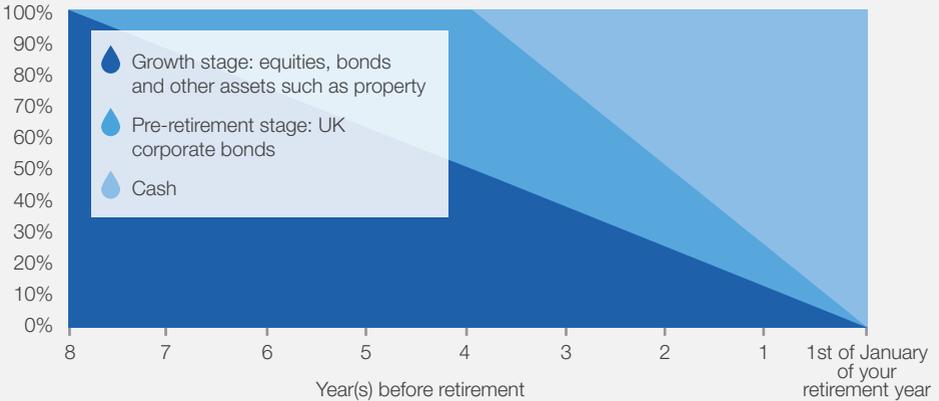
By clicking on the green 'explore' button you can work out how much your pension fund might be at retirement, and what you could do with that money. You can also estimate and adjust how much money is paid into your fund, and see how this affects the value of your savings at retirement (you can find out how much is currently paid into your pension fund by looking on your payslip). A step-by-step colour guide on using this planner is available from either Ellen Ratcliffe or Dan Whyld (contact details are on the back page).

If you decide that you would like to change your personal pension contribution, then please fill out the attached form and return it to the payroll department.

Your pension fund investments

The regular contributions you pay into your pension fund are invested, with the aim of increasing the amount of savings available to you at retirement.

Unless you have changed your investment choices, your fund will be invested in the 'Mercer Growth Fund (cash target)'. This Fund uses a range of investments. While your pension fund is in the growth stage, 70% is typically invested in equities (company stocks and shares), with the remainder invested in bonds and other assets such as property. This tends to be higher risk/higher return when you have a longer period to go before you retire, as is common with this type of pension.



As shown in this graph, in the seven years before you plan on retiring your pension fund gradually switches into lower risk/lower return investments. This happens every year until your fund is completely invested in cash by the time you are age 65 (unless you have changed this age by contacting Aegon). The aim of this is to achieve a higher return when you have longer to go before you retire, and to reduce the risk of your investments moving up and down in value significantly in the period running up to your retirement.

Mercer Growth Fund Performance

Quarter to 30 September 2016

9.3%

against a Benchmark return of 4.3%

Last 12 months to 30 September 2016

25.7%

against a Benchmark return of 10.3%

We are pleased to show that this fund has beaten the benchmark (the target set for investment returns) both in the shorter and longer term.

If you have changed your investment options, and would like more information on how those investments have performed, please request this from Aegon via your Retiready account.



Changes to State Pensions

What age will you get your State Pension?

The age at which you receive your State Pension will increase from age 65 to age 66 between March 2019 and September 2020. It will then increase from age 66 to age 67 between April 2026 and April 2028 and then from age 67 to age 68 between April 2044 and April 2046.

Please note, whilst there are changes planned to the age you receive the State Pension, your retirement age under the Vaillant Group Scheme will not change.

Currently the minimum age at which you can take a private pension (such as the Vaillant Group Scheme) is age 55 (unless you are ill and meet certain conditions). This minimum age is broadly 10 years before State Pension Age (SPA), so is expected to rise to age 57 in 2028. This will have an impact on members looking to retire early, although not until 2028.

New State Pension



Reaching your SPA before 6 April 2016:

If you reached SPA before 6 April 2016, the change does not apply to you and you'll get the State Pension under the old rules instead.

Reaching your SPA on or after 6 April 2016:

The starting value of the new State Pension will be £155.65 and you will be required to have 35 qualifying years' of National Insurance contributions or credits to get the full amount. If you do not have the full 35 years you will get a reduced amount, provided you have National Insurance contributions or credits for at least 10 years.

If you would like an estimate of what State Pension you can expect, you can find this at: www.gov.uk/check-state-pension

Pension statement reminder

Your annual Aegon pension statement is now available to view online. Just log in to your Aegon account at www.retiready.co.uk to view your statement.

If you would prefer to receive a paper copy, you will need to let Aegon know by calling 03456 801 234 – you will need your policy number when you call them.

Nomination Beneficiary form reminder

Is your nomination beneficiary form up to date? It's very important that you complete a nomination form and keep it updated, especially if your circumstances change. A nomination form lets the Scheme's appointed life assurance company know who you would like to receive any benefits in the event of your death.

You can request a nomination form by contacting Ellen Ratcliffe (Pensions Manager) or Dan Whyld (HR Manager) using the contact details below.

Contact details

If you have any questions about your pension fund or this newsletter, please let Ellen Ratcliffe (Pensions Manager) or Dan Whyld (HR Manager) know.

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