

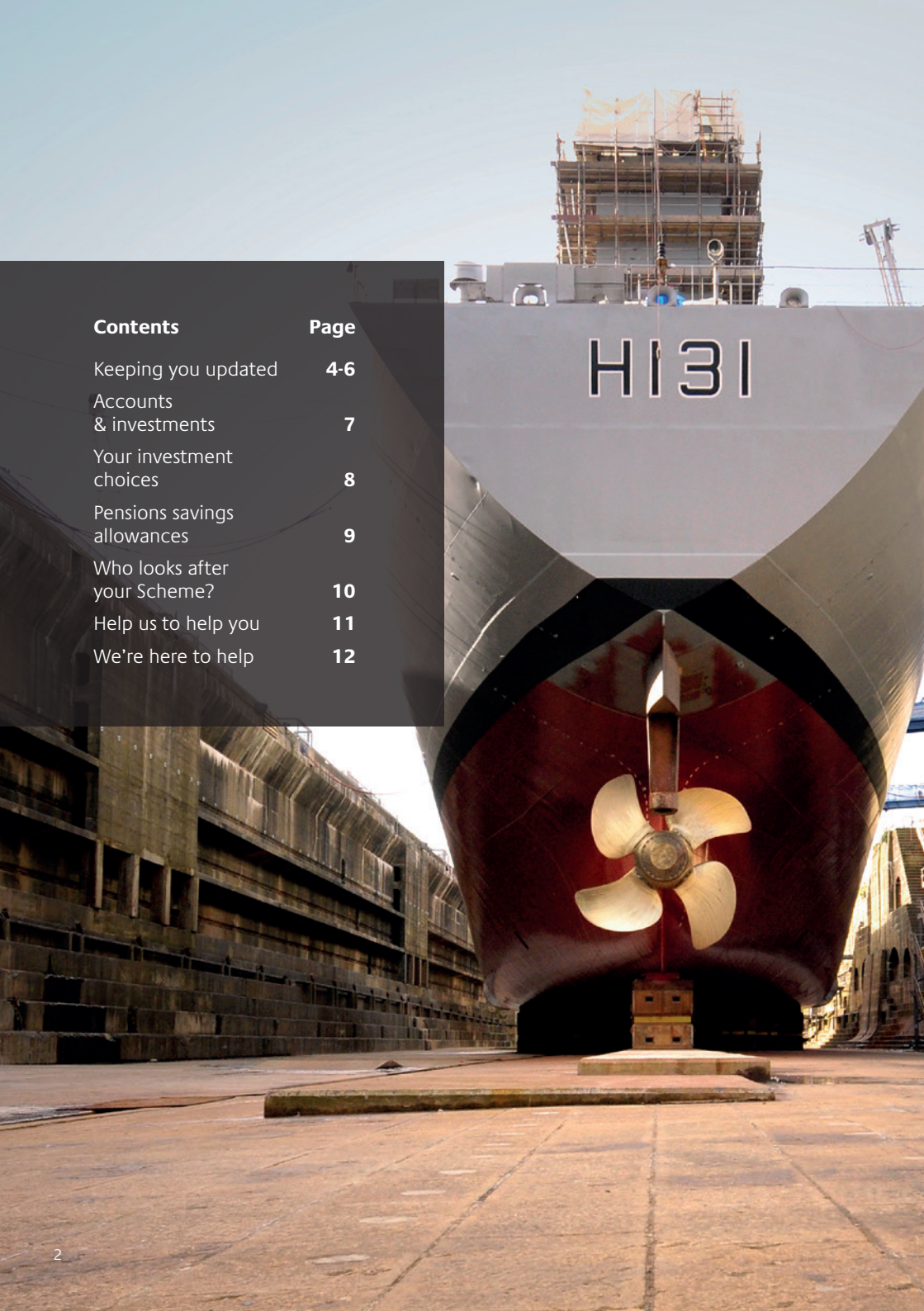


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## Babcock Retirement Savings Scheme

Keeping you informed  
December 2016



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## A message from the Trustee

Welcome to the latest newsletter for members of the Babcock Retirement Savings Scheme (the Scheme).

This newsletter provides you with an update on how the Scheme has performed in the last year, as well as a reminder of the Annual and Lifetime allowances. I'd also like to draw your attention to changes we'd like to make to future communications. Further details can be found in the covering letter.

### **Scheme update**

In this newsletter you will also find a new section highlighting the steps the Trustee has made to improve governance and value for members, as well as a reminder of the new investment choices available from February 2016.

### **Give us your feedback**

We hope you find this newsletter useful and informative. As always, we welcome your feedback – you can get in touch with us by contacting the Pensions Team (see back page for details), so please let us know if you have any comments or questions.

### **Colin Patterson**

Chair of the Defined Contribution (DC) Committee

“We hope you find this newsletter useful and informative. As always, we welcome your feedback, so please let us know if you have any comments or questions.”

# Keeping you updated

## Inside this issue

This year, for the first time, the Trustee's annual report and accounts includes a statement signed by the Chair of Trustees setting out how the Trustee has complied with statutory governance standards and provided value for members through its actions. The full version is available in the report and accounts but below you will find a summary of the statement, which is split into five sections.

### 1. Investments

The Trustee has a Statement of Investment Principles (SIP) which is available on the Scheme website or on request. This sets out the Trustee's aims, objectives and policies for the investment options available to you.

The Trustee monitors the performance of the funds underlying the default investment option on a quarterly basis and a formal review of the default investment strategy is undertaken at least every three years. The Trustee will carry out an earlier review if there are any significant changes to investment policy or membership. The last review was undertaken in 2015. As a result of this review, it was agreed that the following changes would be made during February 2016:

- A new default fund was introduced. Having taken advice from its advisers, the Trustee decided to introduce a new lifestyle default which targets a cash outcome on retirement. The Trustee believes that this is suitable, based on analysis of the demographics and risk profile of the Scheme's membership.
- Two new lifestyle strategies were introduced.
- Seven new self-select funds were introduced.
- Most of the previous funds were removed.

**Details of these changes were communicated to you in December 2015 and January 2016.**

Further information is available on page 8 of this newsletter and on the Scheme website.

### 2. Financial transactions

The Trustee regularly monitors the financial transactions of the Scheme. These include the investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members.

### 3. Charges

The charges applied to the Scheme's default arrangement are set out below. This default arrangement is a 'lifestyle strategy' which means that members' accounts are invested in a range of pre-selected funds depending on their age.

**From 1 April 2015 to 15 February 2016** fees ranged from

**0.28% – 0.56%**

**On 16 February 2016** the new default strategy has fees ranging from

**0.26% – 0.44%**

The charges applied to all other funds (excluding the default arrangements) used by members of the Scheme are as follows:

**From 1 April 2015 to 15 February 2016** fees ranged from

**0.28% – 0.56%**

**From 16 February 2016** the new range of funds has fees ranging from

**0.26% – 0.50%**

Details of charges specific to each fund choice is available on the Scheme website.



## Keeping you updated (continued)

### 4. Value for members

The Trustee is committed to ensuring that you receive value for money from the Scheme (i.e. the costs and charges deducted from members' accounts and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Scheme). The Trustee carried out a 'value for members' assessment in the 2015/16 Scheme Year and will continue to do this annually.

Given that the fees include investment management, communication and administration costs, the Trustee is content that members receive value for money because charges are both below the charge cap (0.75%) and comparable to the average charges for other schemes overall.

### 5. Trustee knowledge

The Trustee has a strong Trustee Knowledge and Understanding (TKU) process in place which ensures the Scheme remains well managed. The Trustee's approach to meeting the TKU requirements includes:

- Maintaining a programme of Trustee training, which is delivered over two training days and in Trustee meetings, when appropriate.
- Recording all training and attendance at seminars in a Trustee training log. A minimum of 25 hours of professional development is required each year by the Trustee Board. This is in addition to regular meetings and duties.
- The appointment of specialist DC advisers who attend each meeting.
- Completion of The Pensions Regulator's Trustee toolkit including any new modules released throughout the year.



## Accounts & investments

On 31 March 2016 the overall value of the DC Section's assets was £302.1 million. Full copies of the Scheme accounts for each year from 2012 are available on the Scheme website.



### Income & expenditure

	2016 (£m)
Contributions and transfers in	51.0
Net return on investments	0.5
<b>Income total</b>	<b>51.5</b>
Benefits, transfers out and expenses	19.0
<b>Expenditure total</b>	<b>19.0</b>

## Membership

On 31 March 2016, there were 24,712 members in the DC Section.



# Your investment choices

## What are your options?

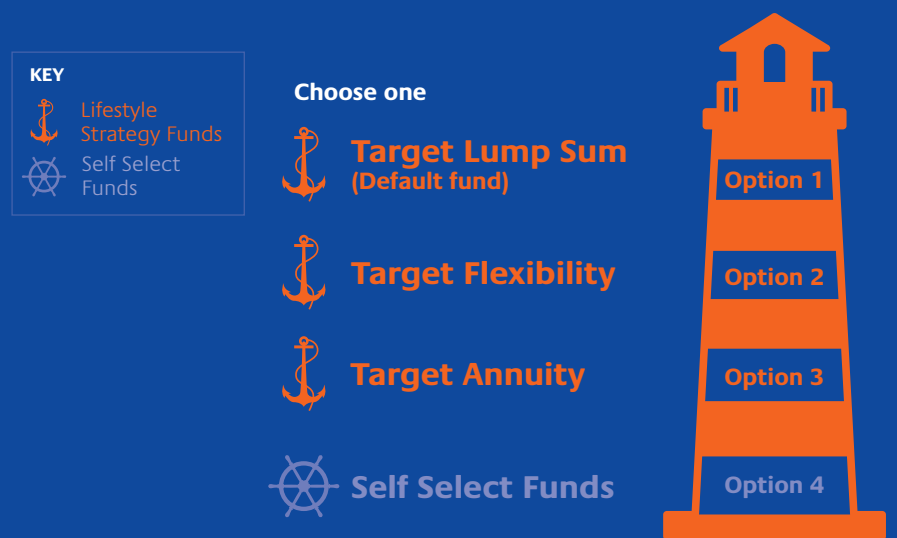
The introduction of the 'pension freedoms' in 2015 means you are no longer required to buy an annuity at retirement. As a result, the Trustee reviewed the investment choices available to members and introduced new funds from February 2016 which will be more aligned with the range of choices on offer at retirement. We wrote to you at the time, but here's a reminder of the changes.

The Trustee redesigned the default fund so that it better suits those who would like to take their fund as a one-off cash lump sum at retirement.

**Other funds are also available for those members wishing to target annuity purchase or drawdown, so there is now an investment fund to suit everyone.**

## Your pension pot

Members may choose from one of four investment strategies, of which three are Lifestyle Strategy Funds and one is a choice of Self Select Funds.



# Pension savings allowances

The amount you can pay into a pension scheme and claim tax relief on is governed by two limits. A tax charge will apply if you exceed either of these limits.

## Annual Allowance (AA)

This limits the amount you can contribute in an individual year.

From 6 April 2016, the AA will remain at £40,000 a year. However, it reduces for people earning over £150,000 a year on a tapered basis.

For every £2 of income over £150,000 the AA will be reduced by £1 until it reaches £10,000. At this stage there will be no further reduction. A summary is below:

Income	Annual Allowance
£150,000 or less	£40,000
£170,000	£30,000
£190,000	£20,000
£210,000 or more	£10,000

The definition of income includes the value of any pension contributions paid by your employer, but you should be unaffected if you earn less than £110,000. You should seek financial advice if you are unsure.

Unless you decide otherwise, your contributions to the Scheme will remain unchanged.

## Lifetime Allowance (LTA)

This limits the amount you can receive from all of your pension arrangements at retirement, without incurring a tax charge.

This is the amount of pension benefits you can build up over your lifetime before you incur an additional tax charge. From 6 April 2016 the LTA is £1m. It will be frozen until 2017 when it will start to rise in line with inflation (Consumer Price Index) each year.

If you have pension savings over £1m, it may be possible to protect the value of your current pension benefits.



## Please remember...

...in reality, these limits impact few people but could affect you if you earn over a certain amount or have been contributing to pension schemes for a long time.

If you think you are affected by the Annual Allowance you can find more information at [www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance](http://www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance) or by speaking to a financial adviser.



# Who looks after your scheme?

The Scheme is run by a Trustee Board which works with a number of advisers who advise on specialist areas.

The Trustee Directors and advisers are shown below.

## Employer Nominated Trustees

Max Graesser (Chairman)  
Kevin Goodman  
Barry Morse  
Martin Veasey

## Member Nominated Trustees

Michael Helliwell  
(subsequently resigned)  
Colin Patterson  
Sarbhjit Singh Kleir

## Independent Trustees

The Trustee Corporation Ltd represented by Robert Gravill



Trustee Directors as at 31 March 2016

## Trustee Advisers

**Bankers**  
Lloyds

**Investment Adviser**  
Mercer Limited

**Investment Custodian**  
Northern Trust

**Legal Advisers**  
Pinsent Masons LLP

**Auditors**  
RSM UK Audit LLP

**Secretary**  
Tristan Claffey

**Actuary**  
Simon Head, Aon Hewitt

## Help us to help you

Being a Scheme member means that you're covered for a generous lump sum death benefit. You can nominate who you would like to receive the lump sum in the event of your death on an expression of wish form. Although the Trustee is not legally bound to follow them, it will take your wishes into account. However, if you do not complete a form, there are risks that your benefits might not be paid in the way you want and tax might be charged.

If your personal circumstances have recently changed or you cannot remember who you have nominated to receive the lump sum, you should complete a new form. You can download an expression of wish form from the Scheme website or ask your HR team.



# We're here to help

You can find information in a number of places. The Scheme website is a good place to find communications, as well as formal documents, such as the Scheme Guide and Investment Guide. Visit **pensions.babcock.co.uk**

**If you have any questions about your benefits or the Scheme in general, please contact the administration team:**



NGP Customer Operations  
Babcock Retirement Savings Scheme  
Friends Life  
Pixham End  
Dorking  
Surrey  
RH4 1QA



**Alternatively you can send an email to:**  
[babcock@friendslife.co.uk](mailto:babcock@friendslife.co.uk)



**Or you can call:**  
0345 604 4463

The helpline is open from 8:30 to 17:30, Monday to Friday.

## **Additional Information**

This report summarises the Scheme developments. However if you wish, more detailed information (such as the Trust Deed and Rules, the last Actuarial Valuation Report, the Trustees' Annual Report and Accounts and the Statement of Investment Principles) is available on request from the Pensions Department.