

Welcome to the 17th issue of the Pensions Update newsletter for the Fenner Pension Scheme (the Scheme).

The financial information shown is for the year ended 31 March 2010. If you would like to receive a full copy of the Trustee's Report and Accounts for the Scheme, please contact the Trustee Secretary.

Trustee Retirement

Chris Hibbs recently stepped down as a Trustee director after 11 years on the Board. The Trustee would like to thank Chris for his dedication over the last decade and wish him the very best for the future. The resignation of a member-nominated trustee director means that there will be elections for a new Trustee director in the near future.

New Scheme Secretary

Huan Quayle stepped down as Scheme Secretary in 2010 and has been replaced by Jamie Hancock. The Trustee would like to thank Huan for his work with the Scheme and welcome Jamie to his new role.

New Investment Advisors

To ensure that the Scheme is provided with the best possible service and advice, the Trustee directors regularly conduct reviews of all Pension Scheme advisors. Following a recent review of investment advisors, a decision was made to appoint Hymans Robertson, who replaced Aon Hewitt at the start of 2011. The Trustee looks forward to working closely with Hymans over the forthcoming years.

Xafinity Buy-out of PwC

In August 2010 the Scheme actuarial provider, PwC, withdrew its pension scheme actuarial and administration services from the market. These services were bought out by Xafinity Consulting, with the majority of the PwC actuarial team (including the Scheme Actuary) transferring across to Xafinity. Due to the highly satisfactory service historically provided by the Scheme Actuary and in the interests of continuity, the Trustee has decided to retain Xafinity's services.

Reservation of Surplus Rights

All members were notified by letter at the beginning of the year that the Trustee directors had decided to pass a resolution to reserve the right to pay surplus amounts held by the Pension Scheme back to participating employer companies provided that certain criteria are met. Under the Trust Rules, the Trustee already had the power to pay back surplus assets to employers, but due to a change in the law, this power would have been extinguished unless a resolution was passed to keep this power before 6 April 2011. The Trustee passed the resolution on 5 April 2011. No new power to repay surplus has been introduced into the Trust Rules and no payment of any surplus back to the employer is currently proposed.

PIP

The Annual Allowance is calculated for a member's 'Pension Input Period' (PIP). The Trustee has recently altered the PIP to mirror the Scheme year (1 April – 31 March). As the PIP ended before 6 April 2011, this means that the Annual Allowance for the tax year 2010/11 will remain at £255,000. The reduction of the Annual Allowance to £50,000 will apply from 2011/12.

Calculation for Annual Allowance

Each year, individuals are allowed to pay a certain amount of money into a pension scheme and receive tax relief on those contributions; there is however an Annual Allowance which caps the amount of tax relief available and a tax charge is payable on any sums paid over the Annual Allowance.

Towards the end of 2010, the Government announced that it would reduce the Annual Allowance from £255,000 per annum to £50,000 with effect from the tax year commencing 6 April 2011.

For Money Purchase (DC) members, this means any contributions (by the member and the employer) above £50,000 made in any year going forward will be subject to a tax charge.

For Final Salary (DB) members, a valuation factor is applied; any increase

in the value of pension benefits from the beginning of the year to the end of the year that exceed £3,125 will be subject to a tax charge. If a member exceeds the Annual Allowance in any tax year, it is possible to carry forward unused allowance from any of the previous three tax years (for this purpose, the Annual Allowance is assumed to be £50,000 for the tax years 2008/09 to 2010/11).

Historically, the Annual Allowance has not applied in the tax year that a member retires. It is worth noting that from 6 April 2011 this exemption no longer applies. In the case of redundancy, the Annual Allowance will no longer apply in the tax year in which redundancy occurs. However, as before the Annual Allowance will not apply in the tax year in which a member is forced to retire because of serious ill-health (serious ill-health is defined by HMRC as meaning having very short term life expectancy).

Hartlink

The Hartlink website went live in 2010 and is a useful tool to help Money Purchase (DC) and AVC members to get useful information on a variety of issues including details about the Fenner Pension Scheme, the funds in which they invest and the current value of their pension pot. Hartlink can also help members evaluate the benefits of making increased contributions and the potential effects of taking early or late retirement. Registering for Hartlink is easy; simply go to <https://www.hartlinkonline.co.uk/fennerpension>, click on the 'register' option and follow the onscreen prompts.

Contracting Out

The Government has announced that members of any Money Purchase (DC) occupational pension scheme will no longer be able to be contracted out of state pension provision after 6 April 2012. There are currently two state pensions, the Basic State Pension (which provides the same pension amount for everyone provided that they have paid sufficient NI contributions) and State Second Pension, (which is based on NI paid by an employee). It is currently possible for pension schemes to opt out of State Second Pension, in which case contracted

out benefits (known as "protected rights") are paid into an employee's pension pot.

The Government decision will have no effect on members of the Hallite Section of the Fenner Pension Scheme, who are contracted in to State Second Pension, but will affect members of the Fenner Section who will cease to be contracted out after 6 April 2012. The effect of contracting back in will be a slight reduction in net pay and an increase in NI contributions each month.

Auto Enrolment

From 2012, employers will be required to auto-enrol all eligible employees into a 'Qualifying Workplace Pension Scheme'. Eligible employees will be those aged between 22 and State Pension Age, who have earnings above the standard personal tax allowance of £7,475 (in 2011/2012 terms).

Employees at other ages will be able to opt in, as will employees who have earnings above the primary threshold for National Insurance contributions (currently £5,715). Employees will be able to opt out of the Pension Scheme if they wish. The Money Purchase (DC) Scheme is a Qualifying Workplace Pension Scheme.

RPI/CPI

In its emergency budget last year, the Government announced its intention to switch from using the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) to measure inflation for calculating State pensions and this switch took effect from 1 January 2011. Under the Trust Deed & Rules, the Scheme's approach to revaluation of deferred pensions tracks the approach adopted under pension legislation; accordingly, the Scheme has automatically switched from RPI to CPI in relation to the revaluation of deferred pensions. RPI continues to be the index used for increases to pensions in payment.

Default Retirement Age

The default retirement age (DRA) is to be phased out in 2011 and from 1 October 2011 there will no longer be a DRA. Members of the Scheme intending to continue working past 65 should contact both their local pensions contact and employer to discuss the pension ramifications of remaining in work.

State Pension Age

Currently, the State Pension Age (SPA) for men is 65. On 6 April 2010, SPA for women started to increase gradually from 60 to 65, to match the male SPA. The Government has announced new proposals for increasing SPA which will affect members born between 6 April 1953

and 5 April 1960. The proposals mean that women's SPA will increase more quickly to 65 between April 2016 and November 2018. From December 2018, SPA for both men and women will start to increase, reaching 66 by April 2020.

You can check your own SPA by visiting http://www.direct.gov.uk/en/NI1/Newsroom/SpendingReview/DG_192159.

FINAL SALARY (DB) SECTION

Membership

The Final Salary membership as at 31 March 2010 is shown below:

	2010	2009
Active members	152	167
Deferred members	831	867
Pensioners	1,443	1,418
TOTAL MEMBERSHIP	2,426	2,452

Income and expenditure

The table below shows the financial position of the Scheme as at 31 March 2010. Over the year the value of the fund rose from £86,355,562 to £109,824,119.

	£000s
Fund Value at 31 March 2009	86,356
Income	
Members' and employers' contributions	5,238
Investment income	1,642
Transfers-in	-
Other income	107
TOTAL	6,987
Expenditure	
Pensions and other benefits	(6,574)
Transfers-out, leavers, life assurance	(309)
Administration and investment expenses	(550)
TOTAL	(7,433)
Investments	
Increase in market value of investments	23,914
Fund Value at 31 March 2010	109,824

Over the year, governments and central banks around the world employed unprecedented fiscal and monetary policies in an effort to end the global recession. Equity markets enjoyed huge rallies as the outlook for the global economy improved and investors' appetite for risky assets returned. Positive returns received from investments have led to a significant increase in the value of the fund since March 2009.

Analysis of investments

As at 31 March 2010	%
Equities	69.3
Bonds	3.0
Hedge Fund	14
PFI	3.6
Cash	10.1
	100.00

The Trustee directors would like to reassure members that the Scheme's investments are constantly reviewed and that decisions with the aim of spreading the financial risk and maximising investment returns are taken when appropriate. They would also like to reiterate that the investment policy continues to be based on a long term view, to ensure benefit for all members now and into the future.

MONEY PURCHASE (DC) AND AVC SECTION

Membership

The Money Purchase membership as at 31 March 2010 is shown below:

	2010	2009
Active members	261	281
Deferred members	263	244
TOTAL MEMBERSHIP	524	52

Expansion of investment options

The Trustee directors would like to remind members that a number of improvements have been made which have had the effect of

expanding the range of investment options available to those in the Money Purchase section of the Scheme and to any who choose to make AVCs.

Please contact your Local Pensions Contact or the Scheme Administrator for further information.

Please consider your options carefully, taking into account all of the information provided as it is important that you are comfortable with the investment decisions that you make. The Trustee, your employer, Fenner PLC, nor the Scheme's investment advisers are authorised to give you financial advice. If you are in any doubt about what action to take, we recommend that you take advice from an independent financial adviser (IFA).

Nomination Form

It is important that consideration is given to completing a new Nomination Form whenever your personal circumstances change. A Nomination Form can be obtained from your Local Pension Contact or the Scheme Administrator.

Data Processing

The Trustee and its advisers control and process personal data about you and other individuals on your behalf, both for the Scheme's administration and for other purposes related to the Scheme. You should note that as a Scheme member you are consenting to that data processing.

If you have any questions about the Scheme or your benefits, please contact your Local Pension Contact or the Scheme Administrator Capita, as detailed below.

Scheme Advisers

Scheme Actuary

John Burns,
Xafinity, Leeds

Administrator

Capita Hartshead (Edinburgh)

Investment Adviser

Hymans Robertson (Edinburgh)

Investment Managers

Legal & General Assurance
(Pensions Management) Limited

Schroder Investment Management
(UK) Limited

Henderson Equity Partners

Fauchier Partners

Winterthur Life (DC & AVC)

Auditor

PricewaterhouseCoopers, Hull

Legal Adviser

Squire Sanders Hammonds

Banker

Natwest Bank, Sheffield

Cater Allen Bank, Bradford

Your Trustee directors

Debby Bradbury (Chairman)

Mark Abrahams

Ken Bryant

Peter Howell

Richard Morello

John Pratt

Jamie Hancock (Trustee Secretary)

All correspondence to the Trustee should be sent for the attention of the Trustee Secretary to:

Fenner Pension Scheme Trustee Limited
Hesslewood Country Office Park
Ferriby Road, Hessle
East Yorkshire, HU13 0PW



"Relying on winning the lottery is a risky retirement plan."

Pension Contacts

If you have any questions about the Scheme or your individual benefits you should contact the following:

Whilst you are working with the Company:

[Head Office](#) - Jamie Hancock

[Fenner Precision](#) - Renata Dexter

[Fenner Drives](#) - Jan Elsen

[James Dawson](#) - Steve Hatley

[Fenner Dunlop](#) - Diane Quigley

[Hallite](#) - Vijay Markanday

If you are retired or have left the Company, you should contact:

David Watson

Capita Hartshead

4th Floor, Erskine House

68-73 Queen Street, Edinburgh, EH2 4NR

Tel: 0131 240 4826

Fax: 0131 240 4884

Email: edinburghpensions2@capita.co.uk