



The Pensions Trust

This Winter 2007 issue includes:

- Trust News
- Customer Satisfaction Survey
- Fund Manager Profile
- Investment Strategy

Update

Our Employers' Magazine

Issue 7



Pension Scheme
Administrator of the Year



From the Chief Executive

Welcome to the latest and last edition of Update. In the New Year, Update will be replaced by a new quarterly Employer's Bulletin. While Update has received many commendations, we now aim to make our communication with you even better. We will be offering a Bulletin that's more frequent and more focused on the issues our employers face in the pensions market, as well as providing regular updates on the Growth Plan and other Pensions Trust schemes.

The financial news over the summer has been dominated by the effects of the so-called credit crunch that was set off by the sub-prime mortgage crisis in the US.

The resulting market volatility has been significant and, although the short-term movements are unsettling, our investment consultants have advised that their long-term outlook for equity returns remains unchanged. Furthermore, they have advised that there is no immediate need to review the investment strategy for any of our schemes.

Even though the markets have now bounced back, we will continue to monitor the situation very closely. Full details of our recently re-organised investment management structure are set out later in this edition.

The progress required by our current Business Plan continues to drive through the changes at the Trust:

- the Flexible Retirement Plan (FRP) has had a successful first year with nearly 2,000 members and over 100 employers joining;
- our new administration system is now up and running for our largest scheme, SHPS, and a full programme is in place to roll this out to all our schemes by the end of 2008;
- the London office has relocated; and
- we are well advanced with the closure of the present Edinburgh office and the transfer of work to Leeds.

I am pleased that we have managed to achieve such a lot without any disruption to the service we provide to our customers. And, with much change still to come, I hope that we will continue to meet your high expectations.

A handwritten signature in black ink that reads "Stephen Nichols". The signature is written in a cursive, flowing style.

Stephen Nichols
Chief Executive



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News

SHPS Committee Election Results

The Social Housing Pension Scheme (SHPS) is pleased to announce the results of their Committee Elections, effective from 1 September 2007.

There were vacancies for one Employer Nominated Representative (ENR) and one Member Nominated Representative (MNR).



The elected members and their positions are as follows:

- Colin Small has been re-elected in an Employer Nominated capacity and has been elected as the new Chair.
- Following the retirement of Ian Wheeler, Dennis Jones has been elected as a Member Nominated Representative.

Continuing in service are:

- Alister Green (ENR)
- Nick Horne (ENR)
- Douglas Cuthbertson (MNR)
- Tiyani Behanzin (MNR)
- Richard Sheppard (Pensioner Nominated Representative)

The Trust Welcomes...

The Pensions Trust would like to welcome all new employers who have appointed the Trust over the past year:

- **Addaction** – joined the Flexible Retirement Plan on 1 May 2007.
- **Royal College of Nursing** – joined as a stand-alone scheme on 1 June 2007.
- **Careers Development Group** – joined the Flexible Retirement Plan on the 1 September 2007.
- **Avocet Trust** – joined the Flexible Retirement Plan on 1 October 2007.

The Pensions Trust Award Win

It is with great pleasure that we can announce that the Trust won the award for 'Most Effective Ongoing Communications' at the Pensions Management Awards held on the 19 October 2007.

The award was presented to the Trust in recognition of its commitment to continually adapting, enhancing and improving communications to employers and employees. A key aspect of this was the development of an interactive DVD for 'Your Pension Made Easy', a pack to help employers motivate

employees to join their occupational pension scheme. The Trust was also recognised for improvements to its sales material and advertising as well as many new developments such as a product literature re-branding and a new quarterly bulletin for Growth Plan clients.

Commenting on the win, Stephen Nichols, Chief Executive at The Pensions Trust said, 'Communications is a vital part of our business and it is essential that it is tailored to match the needs of individual employers and employees. We undertake extensive

research which enables us to create bespoke communications materials which we are very proud of. This award is in recognition of the hard work of the Teams at the Trust.'



Chinese Delegation Consults The Pensions Trust

In September 2007, The Pensions Trust was one of a select group of organisations to take part in a high-profile study tour by representatives of the EU-China Social Security Reform Co-operation Project.

The study tour, which ran from 17 to 28 September 2007, had two key objectives: to look at the management and regulation of public pension provision and to look at the regulation and supervision of occupational pensions. Other UK organisations taking part included the DWP, the FSA and the Pensions Regulator.

The Trust's Chief Executive, Stephen Nichols and Head of Policy and Compliance, Karen Parry shared their expertise on providing pensions for smaller and not-for-profit organisations with 13 delegates from China. They also discussed their experience of providing outsourced pensions management and trustee services to organisations of all sizes.

Stephen Nichols commented: "China's rapidly-growing economy and massive population present particular challenges to policy makers wishing to put in place an affordable and accessible social security system. It is an honour for the Trust to have been chosen to represent the best of the UK pension provision and to share our experience with the delegation."

Head of the delegation, Ms Liu Mei said: "China like the UK, is facing the challenge of population ageing and the need to provide good occupational pensions as part of retirement income. There are some difficulties in getting small and medium enterprises to provide occupational pensions. The Pensions Trust's umbrella approach offers an excellent low cost service that provides an important reference for developing occupational pension provision for small and medium enterprises in China."



Edinburgh Office Closure

The Pensions Trust confirms that after careful consideration and a period of consultation with Edinburgh-based employees, the Trust has decided to close the present Edinburgh office and move the administration work carried out there to the Leeds office.

Our Scottish clients are extremely important to us. Therefore, The Pensions Trust will be retaining a presence in Edinburgh on the Customer Relations side but will move to smaller premises.

As an organisation we are focused on delivering the best service possible and are committed to giving our clients value for money.

Our membership continues to grow and our new PS Pensions administration system gives us the capability and the capacity we need going forward. The new system we have put in place generates significant efficiencies which will greatly benefit our clients but means lower staffing requirements.

New Appointments

The Pensions Trust has appointed four new fund managers:

- AXA Rosenberg
- Royal London Asset Management
- State Street Global Advisors
- Lazard Asset Management

Turn to page 8 for more details of these new appointments.

Spotlight on: CSS

Customer Satisfaction Survey

In February 2007 The Pensions Trust commissioned a survey of the employers who sponsor our final salary schemes, and members of the Pensions Committees of our five industry-wide schemes (the Social Housing Pension Scheme, The Independent Schools' Pension Scheme, Northern Ireland Charities Pensions Scheme, Scottish Voluntary Sector Pension Scheme and Scottish Federation of Housing Associations Pension Scheme).

We chose these groups because they showed the greatest room for improvement in our previous survey in 2004/2005.

The current surveys indicate that employers and Committee members are more satisfied than they were previously. The Committee members' satisfaction score has improved to 80% from 75%, and the employers' score has increased from 68% to 76%.

These are significant improvements and we are very pleased with this.

However, we recognise that we have a lot of work to do to achieve our goal of being ranked in the top 25% of customer service providers by 2010. To do this, the scores need to improve to approximately 82%.



The surveys highlight a number of areas where we need to improve, and an action plan drawn up to address them has been incorporated into the Trust's Operational Plan for the year beginning 1 October 2007. Our customer satisfaction initiatives include:

- Improving information and advice about pensions legislation and scheme benefit structures to Pensions Committees and sponsoring employers.
- Starting next spring, we plan to issue quarterly bulletins to sponsoring employers to update them on legislation changes. Pensions Committees will receive regular updates at their meetings and in their regular training sessions. Authors of bulletins and technical papers will be trained in copywriting techniques to produce clear and effective written output.
- We will also communicate better with clients about evolving processes for actuarial valuations and other scheme funding issues, including investment strategy.

Introduce greater choice of investment options to schemes

Some clients would like to see more choice and flexibility in the investment options available to them within The Pensions Trust. We will be assessing the feasibility of meeting this demand and we will report back to clients as this develops.

Improving information to members

We will review Annual Benefit Statements and the recently introduced Summary Funding Statements to make them more user-friendly.

Communication is a recurring theme and as well as addressing issues emerging from the surveys the Trust will also be working on a business-wide communications strategy over the coming months.

What's next?

Customer satisfaction is extremely important to us, so as well as working to address the issues that emerged from this year's survey, we will be looking for more customer feedback. Early next year we propose to survey representative samples of employers who participate in the industry-wide schemes, and members. If you are contacted, we would greatly appreciate if you can spare the 20 minutes or so it will take to complete the survey; your views really do matter.

Fund Manager Profile

AXA Rosenberg

AXA Rosenberg (or AXA Rosenberg Group LLC to give this organisation its full name) is the specialist global equity investment management firm within the AXA Investment Managers Group. Founded in 1985, the firm today manages approximately £70 billion in assets and employs 339 staff worldwide*.

Their approach

AXA Rosenberg takes a highly systematic approach to analysing stocks and constructing portfolios; they make investment decisions using proprietary technology formed by years of meticulous research. The cornerstone of their investment philosophy is simple: investors can profit by purchasing stocks that are underpriced and have an earnings advantage. Their systematic process enables them to find these stocks efficiently and build intelligent, well-diversified portfolios for their clients.

Their process

AXA Rosenberg's investment process combines three models:

1. A Valuation Model that identifies under-and-over valued stocks within each industry by comparing current prices with current fundamentals.
2. An Earnings Forecast Model that identifies companies with superior and inferior year-ahead earnings.
3. A Risk Model, designed to construct portfolios with the maximum potential to outperform while minimising risk.

The Valuation Model assesses the fair value of each company throughout the trading day, using detailed data on company fundamentals and current stock prices. The result is a dynamic investment model, where the market's current thinking, as reflected in current prices, drives the valuation process. Values of each characteristic

change as relative stock prices and company fundamentals change.

The Earnings Forecast Model forecasts the next year's change in earnings yield for each stock.

The model combines fundamental variables related to earnings change with variables that capture investor enthusiasm for companies and superior earnings.

All stocks in AXA Rosenberg's investment universe are analysed using the two models, and then the information on relative rankings feeds into their Risk Model to construct the most appropriate portfolio. Portfolio optimisation balances the trade-off between risk and reward relative to each client's benchmark. This output is a set of recommended positions that, in aggregate, constitute the most efficient portfolio from their perspective. Portfolios are highly diversified, with modest active exposure to risk from factors such as size, market, industry, and country.

Their goal

AXA Rosenberg believes that creating portfolios of undervalued stocks with strong earnings prospects is a sustainable strategy that will be rewarded over time because of the fundamental features of these stocks. Their aim is to produce, for their clients, portfolios that deliver more future earnings per pound of cost than the earnings of the market.

* As at 30 June 2007.



Spotlight on: Investment Strategy

Introduction

The Pensions Trust's Investment Committee (advised by its consultants, Mercer Investment Consulting) has recently completed the re-organisation of the Global Equity Fund and the Fixed Interest Fund.

The Committee set itself the task of seeking a higher return from both funds without adding undue risk i.e. making both portfolios work harder. Both exercises involved removing underperforming investment managers, hiring new managers and changing the mandates of existing managers.

Global Equity Fund

The Committee discussed a number of ideas with its advisers and decided to take the following forward:

1. Retaining the broad split between active and passive managers but using an enhanced indexation manager (State Street Global Advisors) alongside the existing index tracking manager (Legal & General Investment Management).
2. Increasing the overseas exposure in the portfolio from 50% to 60% of the total, in order to receive the benefits of diversification.
3. Increasing the use of active management in the less efficient stock markets, such as those in the Asia Pacific region.

The re-organisation of the portfolios took place between January and July 2007, the idea being to minimise the costs associated with changing fund managers and their mandates, as well as the impact on investment performance. The Trust took professional advice both before and during this exercise.

The re-organisation was carried out as follows:

Phase 1 – Completed January 2007

- Fidelity replaced by Legal & General Investment Management.

Phase 2 – Completed May 2007

- AXA Rosenberg hired.
- Capital International's investment portfolio was split.
- Barclays Global Investors' portfolio was reduced.

Phase 3 – Completed July 2007

- State Street Global Advisors hired.
- Lazard Asset Management hired.
- Legal & General Investment Management portfolio was reduced.

We set out below the main changes to the manager line-up and fund structure in respect of the Trust's Global Equity Fund.

Old Strategy i.e. where we were in December 2006

Manager	Mandate	Benchmark Weight %
Legal & General Investment Management	Passive Global	40.0
Barclays Global Investors	Active Global	27.5
Fidelity	Active Pan European	16.0
Capital International	Active Global	16.5

New Strategy i.e. where we are now

Manager	Mandate	Benchmark Weight %
Legal & General Investment Management	Passive (Index Tracking) Global	13.0
State Street Global Advisors	Passive (Enhanced Indexation) US/UK	25.0
AXA Rosenberg	Active Pan European	15.0
Barclays Global Investors	Active Global	20.0
Capital International	Active Global	11.0
Capital International	Active Asia Pacific & Japan	6.0
Lazard Asset Management	Active Global	10.0

Changes to the Global Equity Fund and Fixed Interest Fund

Fixed Interest Fund

After discussions with its advisers the Investment Committee decided to:

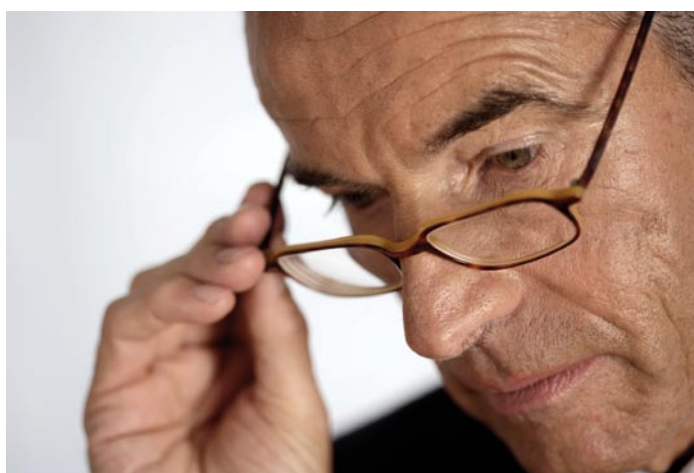
1. Retain the broad split between Government and corporate bonds.
2. Allow one of its new managers (Royal London Asset Management) freedom to exploit a greater set of investment opportunities.

The re-organisation of the portfolios took place in March 2007, the idea being to minimise costs and the impact on investment performance. The Trust took professional advice both before and during this exercise.

The re-organisation of the Fixed Interest Fund was as follows:

1. Morley Fund Management's mandate was terminated.
2. Standard Life Investments' mandate was increased in size to include Government bonds alongside corporate bonds.
3. Royal London Asset Management was hired to manage a mixed (Government bond and corporate bond) mandate.

We set out opposite the main changes to the manager line-up and fund structure in respect of the Trust's Fixed Interest Fund.



Old Strategy i.e. where we were in December 2006

Manager	Mandate	Benchmark Weight %
Legal & General Investment Management	Passive Government Bonds	28.5
Morley Fund Management	Active Government and Corporate Bonds	52.5
Standard Life Investments	Active Government and Corporate Bonds	19.0

New Strategy i.e. where we are now

Manager	Mandate	Benchmark Weight %
Legal & General Investment Management	Passive Government Bonds	30.0
Standard Life Investments	Active Government and Corporate Bonds	40.0
Royal London Asset Management	Active Government and Corporate Bonds	30.0

A Final Word

The Pensions Trust remains committed to monitoring its funds and investment managers with a view to delivering appropriate strategies and performance over the long-term.

We look forward to providing you with information about other investment ideas we are developing.

Spotlight on: PPF

Help us reduce your insurance levies

The Pension Protection Fund (PPF) is a Government created compulsory insurance scheme providing compensation to members when their employer becomes insolvent and their defined benefit pension scheme doesn't have enough money to pay out their benefits.

The PPF is paid for by levies charged to pension schemes that are eligible to benefit from it. The levy calculation takes into account how much compensation the PPF might have to pay out if the Scheme fails, and the risk of scheme failure. To assess this risk, the PPF has engaged Dun & Bradstreet (D&B), a worldwide credit scoring agency, which uses information from Companies House to allocate a 'failure score' to each participating employer connected with a scheme.

Following considerable lobbying by the Trust D&B now acknowledge that its method of scoring not-for-profit employers has not reflected their risk of insolvency. D&B will introduce a new methodology for the 2008/2009 levy year which will produce more accurate failure scores for our member organisations. While this new scoring method should in itself reduce our levies, the PPF

believes that "employers may still see additional benefits of filing their accounts with D&B."

The PPF is proposing that levy calculations for 2008 and 2009 should be based on data held at the end of March 2008. If this is adopted then it is crucial that D&B has current and accurate financial information about our clients in March 2008, otherwise there is a real risk that schemes will continue to pay inflated levies.

Help us to help you!

We need to take action to ensure our clients' PPF levies are as low as possible. We believe the starting point is for employers participating in defined benefit schemes to submit their accounts annually to D&B (or its successor in future years).

The Unitised Ethical Plan and Flexible Retirement Plan are defined contribution schemes and therefore not 'eligible schemes' for the PPF, so employers participating only in these arrangements do not need to take any action.

We are pleased to report that the Housing Corporation and Communities Scotland have agreed to provide accounts direct to D&B for Registered Social Landlords participating in the Social Housing Pension Scheme (SHPS) and the Scottish Federation of Housing Associations Pension Scheme.

We would like to encourage all other employers participating in the Trust's defined benefit schemes to send D&B a copy of their most recent accounts as soon as possible.

Please email your audited accounts direct to D&B at customerhelp@dnb.com using 'Pension Protection Fund – The Pensions Trust' and the name of your pension scheme in the subject line, and supply your organisation's full name, registered address, and any Charity or Industrial & Provident Society registration numbers. We have provided an email template for you to send your audited accounts to D&B. The template can be found under the 'Information for Employers' section on our website at www.thepensiontrust.org.uk

Please also ask D&B to let you know what further action you can take to enable them to award the highest possible failure score. Alternatively please contact their PPF Helpline on 0870 850 6209.

The Pensions Trust will check failure scores at the beginning of 2008 and will contact individual employers if remedial action on their part is likely to result in lower levy bills.

FRP Update

The Flexible Retirement Plan – a new way to process your monthly contributions

Existing employers who choose to sign up to the new Flexible Retirement Plan will see some significant changes in the way that contributions are processed.

Web-based processing

The biggest change is that all data showing the allocation of pension contributions must be submitted to us via the internet using our eBusiness system. This applies for all your employees' contributions even if you also have members in the Growth Plan, Unitised Ethical Plan or a Final Salary Scheme. The system has been designed so that contributions can be processed through the website for the members of all the different schemes.

Benefits of the new system

This new method of contribution processing will bring the following substantial benefits to you once the system is up and running:

- Data is validated as you process your contributions. This will avoid you being contacted by us at a later date

with any queries, when you will have moved on to other things and may not have the information to hand.

- It also means that as time moves on, we will no longer need to ask you to complete forms for those members who leave the Plan (as you will have already verified their data).

These improvements mean that that you will be able to substantially reduce your on-going administration requirements.

In addition, the new system also:

- Allows quicker processing of the monthly contributions, which means that member queries can also be dealt with more quickly.
- Supports our aim to contain and potentially reduce our ongoing costs and allow us to pass these savings on to scheme members.

Commitment required

Each month, you will need to enter the eBusiness system website and make any changes to the data which you wish, before submitting the data to us where it will automatically be updated on our systems. You can then make the monthly payment as normal.

This system does give employers full responsibility and control over their data that is maintained on our system and it is therefore important that this process is undertaken with care.

Data audit

Because this is the case, if you are already members of another scheme with The Pensions Trust prior to joining the Flexible Retirement Plan, we will ask you to carry out an audit of the data that we currently hold on our records. This is to ensure that we start this more automated process with data that is up-to-date.



Any changes identified by this audit, either to our records or to yours, would then need to be amended prior to starting to use the eBusiness system.

Please note that it is a requirement that this system is used when signing up for the Flexible Retirement Plan, and that contribution data cannot be submitted in any other way.

Making it work

When considering the Flexible Retirement Plan as the retirement plan for your employees, it is therefore vital to ensure that your payroll officer or payroll provider is made aware of the change. They will need to know that moving to the Flexible Retirement Plan will bring a

change of process for them, as data must now be submitted through the website, and also that there will be a requirement to audit data prior to joining the Plan. This will mean that some familiarity with spreadsheets will be required.

Further help and guidance

It is also important to ensure that your existing systems are compatible with the technology required to operate this system. To help you in this, we have produced an Employer User Guide which can be found at: www.thepensionstrust.org.uk

Document Library > Scheme > Flexible Retirement Plan > Employer Literature.

This document sets out what technology is required, as well as confirming the information that will be required each month.

It also confirms how the information needs to be formatted before submission to ensure that the data complies with the required standards.

There are also on-line tutorials available. We recommend that time is taken to read the User Guide and view the tutorials, as this will make the transition to the new system easier.

An evolving system

As with any new system, we are continually looking to improve the way the system works. We have already received very useful feedback from employers who have signed up to the Flexible Retirement Plan. This is helping to inform the decisions over how to make the system even better.

We are now also working on taking what we have learned in implementing the Flexible Retirement Plan and offering the advantages of this web-based system to even more of our employers. In addition, we are also looking at developments which will add additional member functionality. This is likely to start with members being able to view their details. Further developments will allow changes to personal details e.g. a change of address to be made on-line. This will be followed by members being able to see their current fund value and being able to switch investment funds.



GP Update

Welcome to this new section of the Update magazine which replaces the Growth Plan (GP) Bulletin. We hope that you will continue to find the Growth Plan related articles useful and relevant.

If you have any questions or have any suggestions for articles to be included in future issues then please contact Pam Jenkinson, Client Relationship Manager, at pam.jenkinson@thepensiontrust.org.uk

How you can help reduce next year's Pension Protection Fund (PPF) levy for the Growth Plan

The article that appears on page 10 of this edition of Update, entitled 'Spotlight on: PPF' asks employers to assist us in reducing the PPF levy that applies to each of the Trust's multi-employer defined benefit schemes by filing their accounts with Dun & Bradstreet (D&B).

A diverse range of employers participate in the Growth Plan and we appreciate that some smaller employers may experience problems in filing their accounts with D&B. As the levy calculation for the Growth Plan is weighted by membership, it is the failure scores of the larger organisations that will be most material. We would therefore encourage larger employers with strong balance sheets to submit their accounts as this should help

to reduce the levy for the whole of the Growth Plan, which will have a positive effect on the funding position.

Growth Plan Employer Forums held in July 2007

Growth Plan Forums were held in Leeds, Edinburgh and London this year, on 4, 12 and 26 July 2007 respectively.

Invitations were issued in March 2007 to more than 2,500 participating employers. Attendee numbers were 14 in Leeds, 13 in Edinburgh and 67 in London. So, disappointingly less than 4% of employers managed to attend.

Please also remember that the four issues of the Growth Plan Bulletin are also still available from our website, together with a word document explaining how the Growth Plan Series 1, 2 and 3 operate. Visit our website www.thepensiontrust.org.uk Those employers who were able to attend seemed to find the event valuable and feedback was generally good. However, despite having built in more time for questions and answers this year, based on last year's feedback, it seems that especially in London even more time will have to be allocated for this at next year's Forums. The question and answer sessions at these events seem to be the most valued part of the day for employers. It is their opportunity to ask the Chief Executive of The Pensions Trust and the Scheme Actuary questions directly. Some

tough questions were asked this year but the overall feedback from the attendees was appreciative of the direct answers provided by Stephen Nichols and Steve Robinson.

Copies of the slide show presentations given at the Forums this year are available from our website for those employers who were unable to attend. These can be found at: www.thepensiontrust.org.uk

Document Library > Scheme > Growth Plan & Unitised Ethical Plan > Employer Literature.

Growth Plan funding update

At the Growth Plan Employer Forums the Scheme Actuary gave an update on the funding position of the Growth Plan as at the end of March 2007.

The funding position has continued to improve since the last annual funding check as at 30 September 2006. At that time the Scheme was 100.2% funded on the on-going basis and 80.2% funded on the buy-out basis (the basis used for calculating the employers' debt on withdrawal). Individual employer debt liability amounts as at 30 September 2006 were advised to all employers at the end of May 2007.

Quarterly approximate updates as to the progress of the buy-out debt liability can be emailed to employers upon request (as advised in the Growth Plan Bulletin No.4, issued

in May 2007). The June 2007 update revealed a buy-out funding level of 95.3% and on-going funding level of 113.9%. Based upon these results each employer's debt liability had fallen to 22% of the September 2006 amount.

However, although this is excellent progress we would stress that factors involved in the buy-out calculation are extremely volatile. Indeed, as a result of market volatility in recent months the funding position will have worsened since the June 2007 update was carried out.

The next quarterly update email will be issued to employers as soon as the data is available from the Actuary, around mid-November 2007. If you wish to receive the next update, but have not already subscribed to this service, please advise Pam Jenkinson at pam.jenkinson@thepensionstrust.org.uk and your name will be placed on the mailing list.

Employers affected by Growth Plan Additional Voluntary Contributions (AVCs) paid by members

One of the questions raised by employers at all the Employer Forums this year was about the employer's debt position on members' AVCs.

For employers who provide pension provision for their staff through a final salary scheme with The Pensions Trust, the members of those final salary schemes have the option to pay AVCs to the Growth Plan with the aim of increasing their level of pension on retirement. Where these AVCs were paid prior to 1 October 2001, when Series 2 of the Growth Plan closed, an employer debt on withdrawal liability arose for these AVC benefits under the Growth Plan with the introduction of the Multi-Employer Debt on Withdrawal Regulations on 2 September 2005.



Although we agree that this seems particularly unfair on employers who have merely facilitated the payment of AVCs by their employees, there is still a buy-out deficit in the Growth Plan in respect of these benefits and that deficit has to be apportioned somewhere. The only alternative to apportioning the debt to the member's own employer would be to apportion the debt arising amongst all the remaining employers, which would seem to be even more unfair to those other employers. Therefore, the Trustee took the decision not to exempt AVC only employers as this was simply the least unfair of the options available.

An important point to note is that where an employer debt on withdrawal liability arises from AVCs under the Growth Plan, currently this debt would not crystallise as long as the Growth Plan is an open option for any member wishing to pay AVCs, and therefore the debt would not crystallise before a final salary debt on withdrawal crystallisation.

However, as explained below, this position seems likely to change so that in future when the last active member leaves from an employer, the debt on withdrawal crystallises. If this change goes ahead the debt under the Growth Plan could crystallise before the final salary debt on withdrawal.

Introduction of Growth Plan Series 4

At the Growth Plan Forums Stephen Nichols, Chief Executive of The Pensions Trust, announced a proposal to introduce a new Series of the Growth Plan. This will be called Growth Plan 4 and is expected to start from 1 October 2008 with the aim of providing better long-term investment returns for members than Growth Plan Series 3, whilst also greatly reducing the risk of triggering a debt on withdrawal for employers.

The final design for Growth Plan Series 4 was agreed by the Board of The Pensions Trust at the September 2007 Board meeting. It will offer investment in a managed fund investing 65% in global equities and 35% in bonds and property with a 'life-styling' element ensuring that more of a member's funds are invested safely into bonds as they approach retirement.

From 1 October 2008 all new contributions will be paid into Series 4 of the Growth Plan and Series 3 will be closed. Series 4 is a 100% defined contribution product and therefore members will be able to decide whether to leave their Series 3 fund in Series 3 or transfer their Series 3 fund into Series 4. Series 4 will not give the same capital guarantee as Series 3. Members' funds will therefore go down or up, in line with market returns.

We will send further information to all participating employers and active and deferred members of the Growth Plan in due course to make them aware of the details of the forthcoming changes. Growth Plan Series 4 will be available only to existing Growth Plan employers.

Following the Growth Plan Forums we have been asked by employers why Growth Plan 4 was not offered at the same time as the Flexible Retirement Plan (FRP) to enable employers to choose between the two options. Our original plan was to promote the FRP, with its competitive range of investment options, as the mainstream successor of the Growth Plan for members who were not attracted to the single Money Market Fund and capital guarantee for their new contributions.

We are now responding to the proposed changes to the Employer Debt Regulations. Under the current legislation our legal advice is that a debt on withdrawal would only crystallise if an employer ceased to have any active members and also had no other employers eligible to join the Growth Plan. Therefore provided that an employer still offered the Growth Plan alongside the FRP a debt would not be triggered, even if no one joined.

However, it now seems likely that a debt will be triggered as soon as an employer ceases to have any active members, although there is a helpful provision in the draft regulations for a 'period of grace' to assist employers that accidentally trigger a debt on withdrawal.

In response to this changing situation the Board decided that it was necessary to make the Growth Plan more attractive to both new and existing members, so that they would continue to contribute and thus reduce the risk of an employer debt on withdrawal being triggered.

Series 4 cannot be launched until October 2008 as our procedures and systems need to be developed to operate a single fund with life-styling and this work cannot commence until the majority of the development work on our new computerised administration system is complete.

Proposed changes to the Employer Debt on Withdrawal Regulations

The draft Occupational Pension Schemes (Employer Debt) (Amendment) Regulations 2007 (the draft regulations) were published for consultation on 7 August 2007. The Pensions Trust has responded to the consultation. It is not certain when these changes are intended to come into force, but the draft regulations are currently dated December 2007.

As feared, the draft regulations contain a new and tighter definition of an employment-cessation event. Assuming the draft regulations come into force unchanged, an employer cessation event will occur on the date at which an employer ceases to employ at least one person who is an active member of a scheme. However, the DWP has acknowledged that employers with only a small number of employees can accidentally trigger a cessation event and there is provision in the draft regulations for a 'period of grace'.

It is proposed that, if an employer notifies the Trustee that it intends to employ at least one person who will be an active member of the Scheme it will be treated for a twelve-month period as if it employed a person who is an active member of the Scheme. This gives the employer a year to enrol a member in the Growth Plan. If at the end of the twelve-month period the employer still has no active members a cessation event will be deemed to have occurred as at the date that the employer's last active member left.

Apportionment

The draft regulations still permit the Trustee to apportion a withdrawing employer's share of the deficit to another participating employer. In the past this power has been used when an employer has withdrawn because of incorporation or a merger with all but £1 of the withdrawing

employer's share of the deficit being apportioned to the successor organisation.

The prime duty of the Trustee is to protect the accrued rights of members, but the Trustee appreciates that the best protection for members is to have strong employers supporting the Growth Plan. Therefore, provided that the security of members' benefits is not materially weakened by an incorporation or corporate restructure, apportionment is likely to continue to be the solution of choice that both protects members' benefits and does not obstruct employers from organising themselves in the most efficient way possible.

Approved withdrawal arrangements

Withdrawal arrangements approved by the Regulator remain an option but the test that The Pensions Regulator must apply before approving a withdrawal arrangement has been weakened from the 'more likely' test, which was interpreted as meaning that if the withdrawing employer was able to pay the debt then it should pay the debt in full immediately. The test now requires the Regulator to consider the following matters when approving a withdrawal arrangement:

- the potential effect of the employment-cessation event on the Scheme's level of technical provisions;

- the amount of the cessation debt;
- the amount of the withdrawal arrangement share, which is equal to the employer's share of the deficit on the ongoing technical provisions basis. As the Growth Plan is presently fully funded on this basis, this initial amount would be nil;
- the financial circumstances of the proposed guarantor (for the balance of the cessation debt); and
- the effect of the proposed withdrawal arrangement on the likelihood that all members will receive full benefits from the Scheme.

This new test should make it much easier for the Regulator to approve withdrawal arrangements.

Cessation Agreements

The draft regulations introduce the new concept of a cessation agreement. This appears to be essentially the same as a withdrawal arrangement but without the need for approval by The Pensions Regulator (the Regulator).

A cessation agreement therefore seems to be appropriate in circumstances where the Trustee and Employer are happy to proceed with the arrangement without needing to seek the approval of The Pensions Regulator. The advantage of this is that the process should be quicker, easier and less costly. On the other

hand, the Regulator's approval under the withdrawal arrangement gives considerable comfort to employers and trustees.

In our response to the Government consultation on the proposed changes we have asked for clarification of whether there is sufficient difference between cessation agreements and approved withdrawal arrangements to warrant both remaining as 'equal' options. We believe cessation agreements would be used more often if approved withdrawal arrangements were only available in situations where the cessation employer did not or could not pay its initial debt – i.e. in distressed cases. In such situations it would be beneficial and in the interests of members to have The Pensions Regulator involved.

Please note the proposed changes described above may be subject to change once the DWP has considered the consultation responses. Further information will follow confirming the amendments and the implications for Growth Plan employers once the new regulations are published in their final form.



Our People

Introducing Joe Robertson Member Nominated Director



Joe was elected to the Board of Directors in 2006. He serves on the Audit and Compliance Committee and the new Appeals and Discretions Committee.

Before he retired early, Joe worked as a Director of the Occupational Pensions Regulatory Authority (Opra) from 1996 to 2003.

Joe is a member of the London and Southern groups of The Pensions Management Institute and has been a volunteer adviser with The Pension Advisory Service (TPAS) since 1988. He is currently a regional organiser for TPAS.

What first made you decide to stand as a Director?

My early retirement from the 'day job' in late 2003 meant that I had extra time on my hands and standing for election as a Director was a way for me to fill the time left by not working or needing to work. Vegetating in front of the TV all day was not an option.

My long-term interest and work involvement in pensions meant that I did not need to learn something which was completely new to me.

How often do the Directors meet and how much of your time does it take up?

The full Board meets four times a year in Leeds. I am also a member of the Audit and Compliance Committee of the Board which is another four days a year. Taking into account reading time for the paperwork for meetings, training and travel time (from Hampshire) takes the total time requirement to between 24 and 32 days a year.

What are the most important aspects of your role?

I feel that the most important aspect of my role is being part of the Audit and Compliance Committee. The Committee is responsible for ensuring that the Trust operates

within the provisions of the Trust Deed and Rules. In turn this involves monitoring and reviewing the effectiveness of the internal controls and procedures, for example taking into consideration risk elements. The Committee is also responsible for reviewing the Annual Report and Financial Statements and recommending these to the Board for approval.

In full Board meetings the most important aspect will be in considering the funding (and investment strategy) of each of the defined benefit schemes within the Trust.

Would you encourage others to stand as Directors?

One of the pleasures of being a Director is mixing with the other Directors, all of whom have volunteered to stand for election as a Trustee Director. None of us can live forever so we need a continual stream of new blood standing for election and challenging us for our existing positions every year. Each new year means new tasks for the Directors and new blood standing for election is essential as they often have new ideas.

Introducing Phillippa Cockerill Product Development Manager



Next in the series of profiles of key staff at the Trust we introduce Phillippa Cockerill, Product Development Manager.

Phillippa is based in the Leeds office and has worked for the Trust for seven years.

We find out how she arrived at her current position and what her job involves.

Where did you work before you joined the Trust and what was your role?

I worked at Pension and Benefit Services (PBS) Ltd, York, where I started in pensions after eight years working for Midland Bank. I was an administrator responsible for all aspects of the administration of five defined benefit schemes, everything from changing addresses to running the monthly pensioner payrolls.

How did you first get involved with pensions?

I applied for an accountants' job at PBS after taking voluntary redundancy from Midland Bank. During the interview I was asked if I'd ever thought about pensions administration, which I obviously hadn't and was offered a job. The rest is history, as they say.

What attracted you to working at the Trust?

I was ready for a change and a new challenge and a couple of friends from PBS were also coming to work here in different roles. When I came for the interview I got very good vibes about the Trust from the people interviewing me.

What would you say are the most important aspects of your job?

Being innovative in developing solutions for the business in relation to the processing of work through various departments.

Managing and developing my team to enable them to achieve their full potential and contribute fully to the Trust's future development and growth. Ensuring the administration system is developed fully and that the data we hold is accurate and up-to-date.

Ensuring various bulk processes are completed in accordance with established timescales and where necessary improved and developed.

If there is such a thing, describe a typical day.

I get up about 7am and after having breakfast I cycle to the train station. Three-quarters of an hour later I'm at my desk switching on my computer and having a nice cup of fruit tea to get me geared up for the day ahead.

No such thing as a typical work day though. Every day throws something new at me. A day will usually involve organising the team's work, dealing with error logs, no doubt dealing with calls or visits from various people with queries. Discussion and brainstorming ideas with the team, producing reports and committee papers and managing various projects.

Then it's that lovely daily squash on the train home, a bit of road rage on the bike and I'm home for tea.

If you were not working for the Trust what would you like to be doing?

Running a racehorse sanctuary and taking long holidays lounging on an exotic beach somewhere hot.

Noticeboard

New Literature Announcements

The following literature has been updated and is available on our website:

Action for Blind People

Updated August 2007

- Employee Application Form (Growth Plan and Unitised Ethical Plan)

Arthritis Care

Updated July 2007

- A Guide for Members

Christian Aid

Updated August-September 2007

- A Guide for Members
- Withdrawal Form

CARE

Updated July 2007

- Withdrawal Form (80th)

Final Salary (generic forms)

Updated August-September 2007

- Employee Application Form
- Withdrawal Form

Flexible Retirement Plan (FRP)

Updated August 2007

- Extra Contributions (AVCs for non-FRP members only)

Growth Plan

Updated August 2007

- Survivor's and Children's Pensions Death Benefit Application Form
- Withdrawal Form

Independent Schools' Pension Scheme

Updated August 2007

- Employee Application Form

Leonard Cheshire

Updated August-September 2007

- Employer Administration Guide (Final Salary and Growth Plan)
- Employee Application Form

Methodist Homes for the Aged

Updated July 2007

- A Guide for Members

Northern Ireland Charities Pension Scheme

Updated August 2007

- Employer Administration Guide
- Reasons to Join
- A Guide for Members

SFHA Pension Scheme

Updated August 2007

- Employer Administration Guide

SHPS

Updated August 2007

- Employer Administration Guide
- A Guide for Members

St Elizabeth's Centre

Updated May 2007

- A Guide for Members

Scottish Voluntary Sector Pension Scheme

Updated August-September 2007

- Employer Information Guide
- Employer Administration Guide
- A Guide for Members

The Pensions Trust

Updated August-September 2007

- Nomination Form
- Application to pay Additional Voluntary Contributions (AVCs)
- AVC – A Guide for Members

The Royal National College for the Blind

Updated July 2007

- A Guide for Members

Unitised Ethical Plan

Updated August 2007

- Survivor's and Children's Pensions Death Benefit Application Form
- Withdrawal Form

Winchester College

Updated August-September 2007

- A Guide for Members (Final Salary and Growth Plan)

The latest versions of forms and booklets can be located on our website at www.thepensionstrust.org.uk in the Document Library.

Exhibition Dates to Remember (2008)

February 1-3

National Board Members Conference
ICC Birmingham, Broad Street, Birmingham B1 2EA

February 26-27

CHASE 2008
Conference House, Exhibitions Division, 105 St. Peter's Street, St. Albans, Hertfordshire AL1 3EJ

June 19-21

CIH 2008
Harrogate International Centre, King's Road, Harrogate HG1 5LA

Membership Statistics	April 2007	September 2007
Actives	55,215	55,703
Deferred	49,013	51,512
Pensioners	20,991	22,297
Total Members	125,219	129,512

Fund Performance

Over the 12-month period ended 30 June 2007 the performance of the four main funds used by most of our pension schemes was as follows:

Name	Fund Performance %	Benchmark Performance %	Relative Performance %
Global Equity Fund	18.9	19.7	-0.8
Fixed Interest Fund	-0.1	-0.4	+0.3
Index-Linked Fund	2.1	2.1	0.0
Property	10.0	9.6	+0.4

Two of the four funds have outperformed their benchmarks, with the Index-Linked Fund tracking its benchmark and the Global Equity Fund underperforming. The Pensions Trust's Investment Committee has noted and taken action to address the performance of the Global Equity Fund. Further details are provided in this issue of Update, on page 8.

The Money Market Fund (used primarily for Growth Plan Series 3) returned 5.1% for the year to 30 June 2007 which was slightly behind its benchmark (the seven day London Inter-Bank Bid Rate). The Money Market Fund invests in high quality short-term debt securities and money market instruments, and is managed by Morley Fund Management.

Please note: The following paragraphs provide commentary on investment markets in general

rather than the performance of The Pensions Trust's funds.

Equity Markets

Over the 12 months to 30 June 2007, equity markets (with the exception of Japan's) continued to provide positive returns. Asian/Pacific markets (which returned 35.9%) and Emerging Markets (which returned 34.1%) were the strongest performers.

Since the end of June 2007, stock markets have been very volatile due to higher interest rates across the World and concerns about the US economy.

Bond Markets

Bonds performed poorly compared to equities over the 12-months in question with fixed interest government bonds (the FTSE UK Gilts All-Stock Index) providing negative returns i.e. - 0.7% and

corporate bonds (the iBoxx Sterling Non-Government All-Stock Index) returning 0.0%.

The Index-Linked gilt market as represented by the FTSE UK Gilts Index-Linked Index returned 2.1% over the year to 30 June 2007.

Property Markets

Property has maintained its position as one of the more stable investment vehicles returning 12.4% over the 12-month period to 30 June 2007 as represented by the performance of the Investment Property Databank Monthly Index. It is worth noting that this index reflects the returns achieved by investors who are prepared to take on more risk than is appropriate for The Pensions Trust. The Trust's property benchmark is designed to be consistent with the purpose of this asset class within its overall investment strategy.

Your Letters

Dear The Pensions Trust

Does the fund have money invested in mortgage-related investments. If so, what sort of percentage of our total fund do they represent?

Response

The Pensions Trust employs bond managers who are asked to outperform the iBoxx Sterling Overall Index. This index includes a number of mortgage-related investments such as mortgage backed securities. These types of investments make up a small part of the Index and therefore a small part of our bond portfolio. We are obliged to check that there is no chance that by holding these stocks the Trust is investing excessively in the businesses run by our sponsoring employers (i.e. 'employer-related investments'). The Trust reports that this is the case in its Annual Report and Accounts.

Dear The Pensions Trust

Great article on Personal Accounts: a new way to save? In this article it says that employees earning over £5,000 will be auto-enrolled into a Personal Account but will be able to opt-out. Can you tell us what will happen to these people when they retire, if they opt-out from a Personal Account and do not save anything for their retirement. Will these people be able to claim pension credit, housing or council tax benefit as people do now which surely defeats the object of auto-enrolment into a savings plan?

Response

At the moment, it appears that those who could save for their retirement, but choose not to do so, will (as now) qualify for a range of means-tested benefits to top up their State Pension. Means-tested benefits is a very difficult area of policy for the Government. Some commentators from the pensions industry believe the

continued availability of means-tested benefits will work against the success of personal accounts. People who can afford to save for retirement may be suspicious and will opt-out.

Other commentators from the industry and charity sector are concerned that Personal Accounts may be taken up by people who really should not save for retirement i.e. low earners who rent their homes. There is a real risk that some people will only replace, by their own savings efforts, income they would otherwise receive in the form of means-tested benefits if they hadn't bothered to save.

The Government's response has been: 1) those who can afford to save for retirement should do so, 2) there will always be a need for means-tested benefits for poorest citizens. Several commentators are convinced the availability of means-tested benefits will undermine the success of Personal Accounts.



We have included a selection of letters received from employers which we felt might be of interest to readers.

We would be delighted to hear your views on our services or any specific issues you are facing that you would like to share with other employers.

Please write to:
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Verity House
6 Canal Wharf
Leeds
LS11 5BQ

Or email:
update@thepensionstrust.org.uk

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Administrator, Medina Valley Centre

Bryan Clark

Semi-Retired College/School Bursar,
Company Secretary/Clerk to Governors

Paul Cotterill

Development Officer, Light of Life

Stephen Duckworth

Retired, Finance Policy Director

Philip Edwards

Retired, Pensions Manager

Allan Herring

Retired, Manager, New Milton Quaker
Housing Association

Lynda Howe

Retired, Former IT & Finance & Director

Douglas Keir

Retired Actuary

Richard Marshall

Retired, Finance Director

Keith Nunn

Chairman of the RL Glasspool Charity
Trust

Joe Robertson

Retired, Pensions Regulator

Barry Smith

Finance Director,
Yorkshire Housing

Clare Smith

Director of Human Resources,
Leonard Cheshire

Clive Unitt (Deputy Chair)

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Former Pensions Manager

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The Pensions Trust



“It’s only an appendix.
We’re sure you can whip
it out yourself.”

You wouldn’t put up with it in any other walk of life. So why is it that when you pay someone to administer your occupational pension, you often end up doing a lot of the work yourself?

The Pensions Trust is a unique, ‘one stop’ comprehensive pension service designed to serve not-for-profit, social, educational and voluntary organisations.

As a not-for-profit organisation ourselves, we understand your requirements and offer **a cost-effective service that takes care of everything, no matter what your business size.**

More than 4,000 organisations are already enjoying peace of mind with our **award-winning service and easy to understand pensions.** Why not join them? Just speak to one of our expert pensions advisors to find out about our comprehensive service package. Then the only job you’ll have to do is your own.



Pension Scheme Administrator of the Year

To find out more about us, call our
new business team on **0845 123 6660**
or email contact@thepensiontrust.org.uk
www.thepensiontrust.org.uk