



The Pensions Trust

Update

Our Employers' Magazine

Issue 5

This Winter 2006 issue includes:

- Trust News
- Operational Plan 2006/07
- Fund Manager Profile
- Pensions White Paper Update



Pension Scheme
Administrator of the Year



From the Chief Executive

Welcome to the latest edition of Update. I'll start with a few facts and figures.

As I write our membership stands at more than 120,000 and our assets are around £3.5 billion. The Pensions Trust is now the 40th largest private pension fund by assets in the UK and, unlike many schemes, continues to grow. Only 10 years ago we were aspiring to make the top 50; maybe we will be in the top 25 by 2010.

Between October 2005 and June 2006 we recorded investment returns of 7.9% (an outperformance against the benchmark) on the main investment portfolio. No matter how good our investment performance is, we have to remember that as people live longer and longer, pension schemes' liabilities seem to keep growing at least as fast as the assets. It is not an easy environment.

Interest rates have increased recently but long-term bond yields, which determine pension scheme liabilities, are still low.

We have taken on board employers' comments that investment issues need to be communicated better. In the coming year we are committed to reviewing this aspect of our service and delivering improvements in line with clients' requirements.

Last autumn we told Growth Plan employers that we were planning to introduce a new pension product with a wider investment choice. This has been a huge project involving most areas of the Trust, and I am delighted to confirm that our Flexible Retirement Plan was launched in October 2006. You can find more information about it further on in this copy of Update.

We thought things might begin to settle down after the drive to implement Finance Act changes from 6 April 2006. Oh, how we were mistaken! The Government promised that age discrimination regulations would not interfere with occupational pension schemes. Somewhere between the draft regulations and 3 April 2006 they changed their minds and we have regulations described by an eminent pensions lawyer as 'a complete bog-up'. I couldn't put it better myself.

The White Paper 'Security in retirement: towards a new pensions system' was published at the end of May 2006. It takes forward many of the recommendations made by The Pensions Commission, and there weren't many surprises. Although we have some significant reservations about The White Paper proposals, until we have more information, it is difficult to assess what the implications will be for The Pensions Trust and our participating employers. We have set up a Working Group to study developments as they emerge, and we will keep employers informed. Our response to the Government's consultation on the White Paper is on our website for those of you who want to read it.

Richard Stroud
Chief Executive



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News

Flexible Retirement Plan Launched 1 October 2006

Our new defined contribution (DC) product was launched on 1 October 2006.

- The Flexible Retirement Plan is now available to new and existing employers alike and gives new investment choices to their employees.

Key Features:

- three core funds, including a Socially Responsible Investment (SRI) option;
- five additional funds, provided by a guest fund manager;

- default and lifestyling options;
- life-assurance facility;
- low cost;
- trust-based governance structure; and
- highly automated data and contribution collection processes

The Flexible Retirement Plan is our first web based product. Further information can be found on our website:
www.thepensiontrust.org.uk



SFHA Committee Election Results

The Scottish Federation of Housing Associations (SFHA) Pension Scheme is pleased to announce the following appointments to their Pension Committee, effective from 1 October 2006.

The elected members and their positions are as follows:

- Malcolm MacDonald, Govanhill Housing Association re-elected as a Member Nominated Representative
- Sally Inkster, Orkney Housing Association elected as an Employer Nominated Representative
- The Pension Committee has also appointed the following people to fill co-opted positions and a casual vacancy:
 - Ahsan Khan, Loreburn Housing Association
 - Glen Waddell, Ark Housing Association
 - Ken Tudhope, Atrium Homes



Change at the Trust

At the end of June this year, Chief Executive Richard Stroud announced that he will be leaving The Pensions Trust. In a message to staff, Richard said that, following discussions with his family, he had decided to leave the Trust at the end of April 2007, when he will be 62 and after more than 28 years' service.

However, retirement is far from Richard's thoughts and he will continue to be involved in the pensions industry as an independent consultant.

Chairman John Alleston comments "I fully respect Richard's decision - 28 years is a long time, and such dedication and loyalty is rare nowadays. I am really pleased that we will be able to continue to access Richard's experience and expertise as he has agreed to provide consultancy support on investment management, product design and business development assignments for a period of three years.

"I am very pleased to announce that we have appointed Stephen Nichols

as the Trust's new Chief Executive as from 1 May 2007.

"Stephen has been our Deputy Chief Executive for the past five years and has done much to progress our business during that time. Before joining the Trust, Stephen gained experience of both defined benefit and money purchase schemes as Pensions Manager at Express Dairies and Burmah Castrol. Our open recruitment process resulted in an extremely experienced and talented shortlist of candidates and Stephen was up against very tough competition.

"There are big challenges ahead in the changing world of pensions and I look forward to working with Stephen to turn these into opportunities for our members, and employers and, indeed, for the Trust as a whole."



Age Discrimination and Pension Schemes

The Employment Equality (Age) Regulations was issued on 1 October 2006, and The Pensions Trust wrote to all participating employers during the summer to alert them to the implications for their pension schemes. In September 2006 the pensions aspects of the regulations were delayed until 1 December 2006 to allow more time for clarification, revisions to guidance and - we hope - the application of a substantial dose of common sense. While this short extension is welcome, we do regret that the difficulties were not recognised before pension schemes spent a lot of time - and a small fortune in legal fees - trying to ensure compliance with the regulations.

ISPEN Committee Election Results

The Independent Schools' Pension Scheme (ISPEN) is pleased to announce the election of two Employer Nominated Representatives and one Member Nominated Representative, with effect from 1 October 2006. Members of the Committee serve a five-year term. The elected members are as follows:

Employer Nominated Representatives:

- Galen Bartholomew
- Keith Whiteman

Member Nominated Representative:

- Roy Blackwell

Compostable Poly Wrap!

We have taken on board a comment received from a member about the mailing of Intouch Magazine being in 'Unfriendly Material'. Since the last edition in May 2006 we have been sourcing alternatives.

This edition of Update is sent to you using Poly Wrap, which is a 100% biodegradable film. When used in a composting process the Poly Wrap biodegrades to water and carbon dioxide just like other organic composts. It is also recyclable and incinerable and is a cheaper alternative to envelopes.



Spotlight on: Operatio

In October 2005, we developed a five-year Business Plan reflecting our aims and ambitions, to improve the performance of the Trust and deliver real value for our members until 2010.

Considerable research was conducted to answer these simple questions:

- How do we intend to succeed?
- How are we going to get new employers and employees, our new 'customers', to join?
- What do we have to excel in, in-order to achieve our objectives and targets?

This resulted in an integrated plan of work with clear targets/deliverables.

We are committed to producing an Operational Plan each year. To define the activities and targets needed to progress this Business Plan in more detail, and secure the resources necessary to deliver them in the context of the annual budget.

The five-year Business Plan set a number of challenging objectives that we need to achieve in order to get where we want to be in 2010.

2006/07 is the second year of our Business Cycle. The Operational Plan for this period continues laying the foundations for the remainder of the five-year plan.

We are continuing to concentrate on activities that free resources and reduce costs:

- Development of our people and our systems is key to improving our efficiency and effectiveness

Increasing our scheme membership improves our future sustainability and reduces our unit costs.

Additionally, we are going to:

- Increase our market presence through further promotion of The Pensions Trust, our products and services
- Begin our programme to increase customer satisfaction through increased customer focus and contact

We will emphasise the complete nature of the solution and offer as much choice in the products, services and the investment strategies we provide.

Our customers should feel that we understand them and are capable of providing them with customised products and services tailored to their needs.

We have organised our work by looking at it from two 'perspectives', developing our operational processes and using better the resources that we have. From these two 'perspectives' there are five broad areas of change, called 'strategies', which are shown in the table below.

| Perspectives | Strategies | |
|-----------------------|------------|--|
| Operational processes | OE | Operational Efficiency |
| | CO | Customer Orientation |
| | AP | Aligning Products and Services with Customer Needs |
| Resources | HC | Human Capital |
| | IT | Information Technology |



Annual Plan 2006/07

OE - Operational Efficiency

In today's complex business environment, everybody is finding it more difficult than ever to achieve excellent levels of operational performance.

We have identified three objectives to help us provide this:

Objective OE1: Migrate services to the web

Develop the web as a major channel of communications with our customers: thus driving down our costs, increasing transparency and allowing customers to control their pensions directly.

Objective OE2: Process improvement

Understanding better how we do business and re-engineering those processes that are inefficient or cause problems for our customers, thus creating a more effective and responsive organisation.

Objective OE3: Understand and manage our costs

Maximising the potential of our available resources is key to reducing costs and improving efficiency.

CO - Customer Orientation

To successfully compete we need to become more customer orientated. This means that we have to develop our empathy and understanding of all our customers, both employers and employees.

We have identified five objectives to enable us to do this:

Objective CO1: Increase profitable sales

Grow the business by assuring prospective new employers that we have solutions for their pension problems and engaging as many of their employees as possible to save for their retirement.

Objective CO2: Service delivery

It is critical that we are able to provide a recognised top quality service to our customers. We know that we can only compete as long as we provide services that are efficient and customer friendly.

Objective CO3: Cost allocation

Communicate clearly the costs allocated for the services chosen by employers.

Objective CO4: Develop customised marketing programmes

Provide prospective customers with targeted information in a manner that is clear, understandable and timely.

Objective CO5: Gain customer insight

Build stronger relationships with our customers, thus increasing scheme take up rate and improve loyalty to The Pensions Trust.

AP - Align Products and Services with Customer Needs

We recognise that in the increasingly competitive and changing pensions market we need to move a step further. We will work with customers to meet their individual, current and evolving needs.

We have identified four objectives to help us provide this:

Objective AP1: Developing new pensions solutions

The pensions industry is changing and we need to make sure that our products keep pace with these changing requirements.

Objective AP2: Tailored relationships

Provide a choice of services to employers and schemes that meet their requirements, and transforms them into partners and advocates of the Trust.

Objective AP3: Opportunity identification

Increase our understanding of the market so that we can clearly understand and target new customers within the not-for-profit sector.

Objective AP4: More controlled investment options

Provide a choice of investment options to our customers, supported by quality investment managers, who are selected to meet our requirements, coupled with agreed low variability and at the aggregate level, attractive fees.

HC - Human Capital

We are a very different organisation compared to most of our competitors and part of our success lies in maintaining and developing that individuality. This individuality flows from the Trust's mutual status and direct accountability to its customers.

We have identified three objectives that we need to achieve:

Objective HC1: Embed values

Our values are the criteria by which our people make decisions about priorities.

Objective HC2: Customer focused workforce

Our employees have to use their skills and knowledge to go beyond meeting our customers existing needs and take personal responsibility for continuously raising the standard of customer service.

Objective HC3: Develop engaged employees

When employees join us, they are usually enthusiastic, committed, and ready to be advocates for the Trust. Simply put, they are highly engaged. We need to develop techniques to maintain and enhance our levels of engagement.

IT - Information Technology

Increasingly in our industry the use of information technology plays an important part in being able to compete successfully. Information technology is the key to both the service improvement and cost reduction elements of our strategy.

We have identified two objectives:

Objective IT1: Better leverage of technology

Maximise the effectiveness of our investment in technology. It is no longer acceptable to invest money in technology and not expect a substantial return on investment.

Objective IT2: Data management

Our business relies heavily on the accurate and timely collection and management of information from our customers. Having better data and developing systems in which we have confidence will provide us with a solid base to succeed.

This year is going to be a difficult year but we have every confidence that we will meet our objectives and achieve our targets.



Further information on the Operational Plan can be obtained from Sharon Calvert, Business Planning Manager via telephone on 0113 394 2542 or via email at sharon.calvert@thepensiontrust.org.uk

Fund Manager Profile

CB Richard Ellis Investors

CB Richard Ellis Investors was appointed by The Pensions Trust in the early 1990s to manage a portfolio of commercial property investments. The original manager was Richard Ellis which was acquired by Insignia Financial Group, which in turn was acquired by CB Richard Ellis in 2003. This resulted in the merger of CB Hillier Parker and Insignia Richard Ellis in the UK and as part of this, CB Richard Ellis Investors acquired Insignia's investment management subsidiary, Atlantic Fund Management. Globally, CB Richard Ellis Investors have assets under management of approximately \$16.6 billion of which approximately £3.8 billion are located and managed in the UK.

The Pensions Trust's Property Portfolio

At 30 September 2005, the Trust's commercial property investment portfolio was more than £158 million and with new purchases since, by the end of June 2006 the portfolio was worth around £175 million. At the time of writing the portfolio consists of 38 properties throughout the UK varying from a retail complex in Aberdeen to a multi-let industrial estate in Plymouth.

CB Richard Ellis Investors' Business Structure

CB Richard Ellis Investors is structured around five distinct business groupings. The largest of

these being "Managed Accounts" which provides fund management services to separate account clients. The Pension's Trust is a 'Managed Account' client and the property portfolio is managed on a fully discretionary basis by CB Richard Ellis Investors. As with all their discretionary mandates the management and approval of capital transactions is governed by the processes surrounding the CB Richard Ellis Investors Investment Committee.

The Work of CB Richard Ellis Investors' Investment Committee

The Investment Committee was established in 1992 and is the main decision-making body within CB Richard Ellis Investors. It acts independently from individual client teams and comprises three directors of CB Richard Ellis Investors, one director of CB Richard Ellis and two external members.

The role of the Committee is to:

- check that each discretionary fund has a proper practical strategy agreed with each client and that it is updated at least once a year;
- see that the strategies are in line with house policy (subject to client requirements) and are appropriate to the client's benchmark;
- approve purchase and sale recommendations;
- check that the teams are on top of the administration of the portfolios and

- monitor risk exposures and ensure that all management agreements are being complied with and in particular that the investment restrictions contained within those agreements are not being breached

A formal meeting of the Committee is held every quarter and for that meeting, each Fund Manager must submit a report in a standard format covering a number of sections. Every six months the Fund Manager and their respective teams give a detailed presentation on their client's portfolio.

Every proposed investment purchase or sale must receive prior approval from the Investment Committee. The Fund Manager prepares a detailed report explaining the proposal and the reasons behind the recommendation of the property purchase. In the report the Fund Manager must also demonstrate that the property complies with the investment restrictions imposed in the investment management agreement and fulfils the strategic aims set for that client including the performance objective.



Spotlight on: Pensions

The Pensions White Paper - a new landscape beckons

Following the publication of the Pensions Commission's second report 'A New Pensions Settlement for the 21st Century' at the end of November 2005, the Government promised to publish a White Paper on pensions in spring this year.

"Security in retirement: towards a new pensions system" was published towards the end of May 2006 and, unsurprisingly, the Government brings forward many of the Pensions Commission's recommendations regarding pension provision in the UK.

The main themes of the White Paper are:

- Changes to state pensions
- Introduction of personal accounts
- Auto-enrolment

We will look at some of the proposals in a moment. However, a lot of the detail is not yet available. The government will take into account feedback obtained from formal consultation on the White Paper, which closed in mid-September 2006, and it will also seek views on some of the proposals before it publishes a White Paper on personal accounts in the autumn, and a Pensions Reform Bill in January 2007.

Proposed leading changes to state pensions include:

- restoring the link between earnings and the basic State Pension (BSP) sometime between 2012 and 2015;
- reducing the number of qualifying years for full basic State Pension to 30
- introducing carer credits to allow those with caring responsibilities (mainly women) to build up rights to basic State Pension

These improvements will be partly paid for by:

- the additional State Pension (known as Second State Pension) becoming flat rate (instead of earnings-related) by 2030;

- increasing the State Pension age in line with life expectancy

The increases to State Pension age are complicated and bad news for everyone under age 47 on 5 April 2006. Everyone aged 47 on 5 April 2006 can draw their state pension at age 65 at the latest, while those under 28 will not be eligible for their state pension until their 68th birthday. The table below shows the impact of the proposals on everybody aged up to 46.

Means-testing will stay, though the numbers qualifying for Pension Credit should reduce over time, instead of relentlessly increasing. The Pensions Trust, along with many others in the pensions industry, believes means-testing will undermine the success of the new personal accounts scheme as it is a disincentive to personal savings, especially for lower earners.

| Age on 5 April 2006 | Eligible for State Pension from |
|---------------------|--|
| 46 | Between 65 th and 66 th birthday |
| 38 - 45 | 66 th birthday |
| 37 | Between 66 th and 67 th birthday |
| 29 - 36 | 67 th birthday |
| 28 | Between 67 th and 68 th birthday |
| under 28 | 68 th birthday |

White Paper Update

Personal accounts

As a nation we are not saving enough for retirement; this is especially true of young people and the lower paid. In introducing personal accounts the Government aims to tackle the problem of under-saving and reduce the population's reliance on the state for its retirement income.

Employers will be required to "auto-enrol" employees into a personal account or into a scheme providing equivalent benefits. Contributions to personal accounts will be calculated on the band of earnings between the Primary Threshold and the Upper Earnings Limit for National Insurance purposes - around £5,000 to £33,500 in today's terms. Employers will contribute 3% of these band earnings, the employee will pay 4% and 1% will be added by way of tax relief.

What is auto-enrolment?

The White Paper proposes that all employees aged at least 22 and earning at least the Primary Threshold (around £5,000 today) will be automatically enrolled into a personal account. They will have to notify the employer in writing if they want to opt-out.

Employees will be auto-enrolled when the scheme starts in 2012 or on reaching the age or earnings thresholds, if later. They will then be auto-enrolled on a change of job and every three years since their last opt-out decision. Employers will have to keep records of who opted out and when, and a diary system will be essential to remind employers to

auto-enrol 'opters-out' every three years.

What effect will this have on employers?

The introduction of personal accounts will have little or no impact on you as an employer participating in The Pensions Trust if you already contribute at least 3% of salary towards your employees' pensions, total joint contributions from you and your employees are 7% of salary and you are willing to auto-enrol all qualifying employees (aged 22 and earning at least the Primary Threshold) into your scheme.

However, the Government recognises that many employers will not be able to afford this and as the proposals stand, you will not have to auto-enrol employees into your scheme if you do not want to. However, when an employee declines to join your pension scheme, you will have to auto-enrol him or her into a personal account.

The Pensions Trust will keep employers informed about the progress of the White Paper and the eventual pensions legislation arising from it.

Want to read more?

The White Paper is a lengthy document but a friendlier, 42 page Executive Summary sets out the proposals more concisely. Both documents are available to print off or download from the Department of Work & Pensions website www.dwp.gov.uk

The Pensions Trust's response to the consultation on the White Paper is available on our website, www.thepensionstrust.org.uk Once on the website use the navigation bar on the lefthand side of the screen >News Room>Comments On.



Our People

Introducing Clive Unitt Deputy Chair



Clive Unitt serves the Trust in two areas: as the newly-elected Deputy Chair and on the Audit and Compliance Committee.

Since August 2001, he has also been Finance Director at Sadeh Lok, where his role includes Treasury and Management Accounts. Clive has been at the Trust since March 2003.

What first made you decide to stand as a Director?

The Pensions Trust relies on volunteers to stand for election to the Board of Directors. If there were no volunteers there would be no Directors. I felt that, with the skills and experience which I have developed as an Executive Director and as a volunteer board member with other organisations, I would be able to make, what I hope, is a valuable contribution to the Trust.

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

The Directors meet four times a year. In addition to this the Investment Committee and the Audit and Compliance Committee also meet four times a year. The Remuneration and Appointments Committee meets on an adhoc basis during the year and there are also a number of advisory panels which Directors are required to sit on. Before every Board Meeting we have formal training sessions which I find is a vital element in keeping up-to-date. The formal training sessions need to be supplemented by self-study and technical reading.

If you add it all together it amounts to around 30 days a year. Most of the time is spent at evenings and weekends although the meetings themselves do take place during the normal working day. My employer, Sadeh Lok Housing Group Limited, is very supportive in allowing me the time to attend meetings and I make great use of train

journeys to get a lot of work done. With a laptop and a mobile phone it's almost like being in the office. A round trip to London equates to very nearly a full day of working time.

What are the most important aspects of your role?

The key role of a Director is to act in the best interests of the membership as a whole. This means that we cannot favour one group over another (e.g. pensioners over active members or vice versa). We must also ensure that we balance the long term and the short term view in order to arrive at the 'best' view. It's a classic case of 'you can't please all of the people all of the time'. The second most important aspect to remember is that Directors do not manage the business on a day-to-day basis. We have an excellent Senior Management Team at The Pensions Trust to do that. The role of the Directors is to set strategy, exercise control and give direction.

What are your specific responsibilities as Deputy Chair?

One specific responsibility I have is to sit on the Remunerations and Appointments Committee. However, my main responsibility is stand in for the Chair whenever he is unavailable. I must therefore keep myself up-to-date with all the current issues at the Trust in readiness to take over. I am also there to act as a sounding board for the Chair and be on hand to advise and assist.

Introducing Lisa Clark Human Resources Manager



Next in the series of profiles of key staff at the Trust we quiz Lisa Clark, Human Resources Manager.

Lisa 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 and what was your role?

Prior to working at the The Pensions Trust I worked at British Steel (now Corus). During my time there I worked in the Graduate Recruitment Team, Employee Relations Team and finally the Health and Safety Team.

What attracted you to working at The Pensions Trust?

Admittedly, before I worked here I had not heard about the Trust, nor did I know a lot about pensions so all I had to go on was the impression given at interview. My interviewer was obviously passionate about Human Resources and the ethical nature of the company which impressed me. I also relished the opportunity to work in a new role in a new Team, as I was taken on when we relocated offices from London to Leeds.

Now I am in the position where I have to attract candidates to the Trust and I believe we have a wealth of advantages to draw upon - our culture, ethos and benefits package being just a few of them.

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

My role encompasses many activities including employment law, recruitment and selection, training and development, reward and employee relations. Each of these in turn are important, but I

believe the most important aspect of the job is co-ordinating these aspects so they form a holistic approach to people management and that this fits with our Business Plan.

What do you like best about your job?

I love the fact that my job covers all aspects of Human Resources and that I have the opportunity to get involved in all of these aspects - workload permitting!

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

Does a typical day exist? Every day is different when you work in Human Resources. A lot of my work is proactive so I'll know what projects I should be working on that day, but its important to keep the diary flexible as in Human Resources you need to be reactive and have the ability to respond to changing situations as they occur.

If you were not working at The Pensions Trust what would you like to be doing?

I would still be working in Human Resources as it is something that I enjoy. If I didn't have to work I would spend a lot more time travelling, seeking out the sunshine and experiencing different cultures.

Investment Basics

Custody

Custody services (a business undertaken by financial institutions such as banks) includes the following 'core' services:

- The safekeeping of investments such as shares and bonds
- Arranging for the settlement of purchases and sales of investments
- Collecting income payments such as dividends from equities, and coupons from bonds
- Reclaiming Tax – a custodian will collect tax relief on overseas investments

Custodians

In appointing a custodian, pension scheme trustees are making a clear statement that they wish to reduce the risk of deception or fraud. This is because part of a custodian's main duties is to confirm the ownership of investments bought in a pension scheme's name. Most small pension schemes allow their fund managers to appoint a custodian on their behalf but larger schemes tend to appoint their own custodian.

Increasingly over the past five to 10 years there has been a great deal of consolidation in the custody industry meaning that a handful of large global custodians are now the main service providers for UK pension schemes. This has had a positive impact in that custodians have been forced to provide extra services in order to retain clients. Some of these 'add-ons' include:

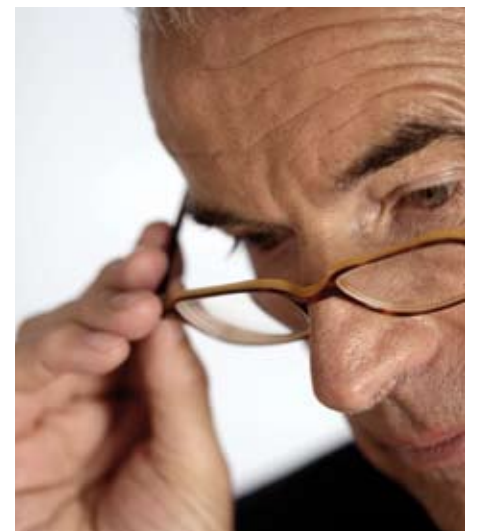
- Foreign Exchange Services - custodian banks will often make their foreign exchange desks available to investors who wish to buy overseas investments
- Securities Lending - this involves the custodian lending a pension scheme's assets to other financial institutions in return for a fee. These arrangements are subject to contractual controls including the provision of collateral
- Transition Management - this is where custodians assist pension schemes with the transfer of investments from one manager to another, in an efficient and cost-saving manner
- Performance Measurement - this is a very complicated discipline but one the custodian is perfectly placed to assist pension schemes. As part of this service, a custodian can also offer compliance monitoring and risk measurement services ensuring that pension schemes can monitor whether their managers have stuck to the terms of their investment management agreements
- Commission Recapture - this is a service provided by a custodian to manage commission expenses to help pension scheme's achieve maximum performance
- Other services that are increasingly provided by custodians are cash management and monitoring corporate actions

The Future of Custody and Custodians

It is ironic that custodians no longer rely on their 'core' custody services (although the role of safe-keeping and basic trade settlement will remain essential) but have instead come to demonstrate a willingness to design service packages for clients that enhance both investment performance and risk management.

Our Custodian

The Pensions Trust currently employs Northern Trust as its custodian for core custody services as well as add-ons such as performance measurement, securities lending and corporate actions. Northern Trust, who were founded in 1889, has its head office in Chicago with offices in 13 countries around the world. As at 30 June 2006, Northern Trust had \$3.2 trillion in assets under custody. Their size enables them to employ sub-custodians in countries in which they do not have a local office.



Noticeboard

Lobbying Letter for MP's

Recent changes in pension legislation have had an adverse effect on multi-employer pension schemes such as Growth Plan.

Whilst we are doing all we can as an organisation to address these issues you can also help by adding your voice. We would urge you to lobby your local MP to address these issues and put pressure on the Secretary of State for Work and Pensions (currently John Hutton).

We have a copy of a Lobbying Letter which you can send to your MP on our website, www.thepensiontrust.org.uk

Follow the links on the left hand side Document Library>Scheme>Money Purchase>Employer Literature>Letter Template for Lobbying MP's

Update via Email

If you would prefer to receive Update in electronic format please email your details to update@thepensiontrust.org.uk

- Employer Number
- Organisation
- Name
- Email Address

Data Protection and Human Rights

In accordance with the relevant legislation, the personal data held in The Pensions Trust's records is used from time-to-time to help prevent and detect fraud.

This obligation is carried out in partnership with the Audit Commission's National Fraud Initiatives.

Ralph Connelly MBE.ACIS

Ralph Connelly was a Trustee of The Pensions Trust from 1965 until 1986 and was Chairman from 1980 until 1986. During this period, the growth of The Pensions Trust was enormous with assets increasing from £3.5 million to £161 million.

Much of this growth came from the Housing Association movement where Ralph was significantly involved, not only with the National Federation of Housing Associations but also with the Housing Corporation.

The Pensions Trust is now one of the top forty pension funds in the UK with assets of £3.6 billion. A great deal of this is directly due to Ralph's involvement, influence, support and huge enthusiasm.



11 December 1915 - 29 April 2006

| Membership Statistics | 2005 | 2006 |
|-----------------------|---------|---------|
| Actives | 54,115 | 54,797 |
| Deferred | 43,275 | 47,193 |
| Pensioners | 17,788 | 19,850 |
| Total Members | 115,178 | 121,840 |

Payments to Trustee Directors

The role of the Pension Scheme Trustee (including Directors of Trustee Companies) has changed very significantly since the Pensions Act 2004 came into force in April 2005. Pensions legislation and the whole pensions environment has become much more complicated and demanding. A much greater level of knowledge and understanding is now required and responsibilities have significantly increased.

An individual's pension is often their most valuable asset after their home. It is therefore only right that the people responsible for looking after this asset have the necessary skills, knowledge and experience to carry out the task. The Board fully appreciates its responsibilities and a training programme is in place to assist the Trustee Directors to develop their knowledge and understanding.

In the past Trustee Directors have always been unpaid but have received out of pocket expenses. In his 2001 report 'Institutional Investment in the UK: A Review', Paul Myers proposed that one way to raise standards of trusteeship would be to pay trustees for their services. In 2002, following the publication of the Myners' review the Board considered this recommendation and agreed at that time not to introduce payment as it would be unlikely to affect the composition of the Board given that all the Directors are elected by employers and members and give

their time willingly. However, in view of the additional expectations of and responsibilities now placed on Directors, the Board decided that it should reconsider whether it was now appropriate for Directors to be remunerated, partly in recognition of the work undertaken but also to ensure that people with the necessary skills and experience are attracted to serve.

Earlier this year we surveyed some of the larger pension schemes in the UK to establish what, if any, arrangements for payment they had in place. The research revealed that 18 out of the 22 schemes that took part in our survey were already paying some or all of their trustees or trustee directors. Reasons given by respondents were compensation for time spent preparing for and attending meetings and to compensate the employer for the time lost when employees were engaged on pension scheme trustee business.

After considering the results of the survey and having taken account of the increased level of knowledge and understanding required of Directors, the Board has agreed that whilst most Directors should continue to work in a voluntary capacity, the Chair, Deputy Chair and Chairs of the Audit and Compliance and Investment Sub Committees should be paid in recognition of the extra duties involved in these roles and the consequent and significant additional time commitment required throughout the year. The Board agreed the following levels of

payment as from March 2006: Chair £25,000 a year, other office holders £10,000 each.

The Board did not take this decision lightly, being conscious of the history of the Trust and very conscious of the fact that Directors pay does add to the running costs of the Fund at a time when for some members their pension prospects are reducing and for others their contributions are being increased. However, the Board believes that this decision is in the best interest of the Fund and will monitor the performance of Directors and the Trustee body as a whole to make sure that members are receiving value for money.

Exhibition Dates to Remember

February 2007

14 - 15

Chase 2007

Business Design Centre,
52 Upper Street,

London

NI 0QH

21

NCVO 2007 Annual Conference

The Brewery,
Chiswell Street,

London

EC1Y 4SD

March 2007

21 - 22

NHF Finance Exhibition 2007

University of Warwick,
Coventry

CV4 7AL

Customer Satisfaction Survey

The last survey helped us to make the changes you requested in a number of areas. We are keen to do the same again. We will soon be looking to carry out further research into how you, as customers, view the service that we provide. If you are contacted to take part, we would appreciate your help as we look to identify both areas where we are doing well and where you believe there is room for improvement.

Pre-Retirement Seminars

For those approaching it, retirement may be viewed as something to look forward to or it may be a daunting prospect. Whatever your view, it will be a time of great change. Participation in a pre-retirement seminar can help your employees plan for this new phase of life. Over the coming months, we are looking to pilot a number of pre-retirement seminars. If you are a member of the Growth Plan and would like your employees to participate in this pilot scheme and benefit from a pre-retirement seminar, please contact Pam Jenkinson, Client Relationship Manager on 0131 341 1234 for details or e-mail: pam.jenkinson@thepensionstrust.org.uk

Fund Performance

Over the 12-month period ending 30 June 2006, 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 | 21.1 | 19.5 | +1.6 |
| Fixed Interest Fund | 1.6 | 1.5 | +0.1 |
| Index-Linked Fund | 3.4 | 3.5 | +0.1 |
| Property | 19.8 | 8.4 | +11.4 |

Three of the four funds have outperformed their benchmarks, with the Index-Linked Fund underperforming slightly.

Equity Markets

Over the 12 months to 30 June 2006, equity markets continued to perform strongly with positive returns received from all markets. Emerging markets (which returned 33.8%) and Japan (which returned 30.5%) were the best performing regions.

Since the end of March 2006, we have seen most equity markets fall in value with May being a particularly poor month.

Bond Markets

Bonds did not perform as well as equities over the 12 months in question with fixed interest government bonds (the FTSE UK Gilts All-Stock Index) returning 1.4% and corporate bonds (the iBoxx Sterling Non Government All-Stock Index) returning 1.7%.

The Index-Linked gilt market, as represented by the FTSE UK Gilts Index-Linked Index, returned 3.5% over the year to 30 June 2006.

Property Markets

Property has maintained its position as one of the more stable investment vehicles returning 21.6% over the 12 month period to 30 June 2006 (as represented by the performance of the Investment Property Databank Monthly Index).

Money Market Fund

The Money Market Fund was set up during the second quarter of 2006 and we do not have 12 months return to report on. We can report that over the nine months to 30 June 2006 this fund returned 4.6% which was in line with its benchmark.

The Money Market Fund invests in high quality short-term debt securities and money market instruments, and is managed by Morley Fund Management.

Your Letters

Dear The Pensions Trust

We at Age Concern Gwynedd a Mon, are members of The Pensions Trust. In our last staff meeting our staff enquired whether you could send a representative from the company to visit us to give advice on your pensions plan as some are nearing retirement age and would appreciate some information. Or would they need to contact a financial adviser to get such advice?

Response

Further to your e-mail yesterday to our Marketing Team, they have passed your enquiry to me as I am the Client Relationship Manager for the Money Purchase Scheme.

I'm afraid that The Pensions Trust is not permitted to provide independent financial advice to members as to which is the best course of action for them to take in any given circumstance. However, what we do provide for members is as much factual information as we can in the hope that, if their circumstances are relatively straightforward, they would not need the assistance of an independent financial adviser (IFA). One of the services we offer as standard is to visit employer's offices and deliver presentations to staff/members to ensure that they are aware of the benefits which our scheme offers. I would be happy to arrange a date and time for such a visit and whilst there I would also be happy to talk over the options with members

who are approaching retirement, either as a small group or on a one-to-one basis. It would probably be a good idea if those members who are approaching retirement requested a retirement benefit quotation from our Money Purchase Team in advance so that we have grounds for discussion.

My contact details are shown below. If you would like to give me a call we could discuss a date and time for a visit.

Pam Jenkinson

Telephone: 0131 341 1234

Email:

pam.jenkinson@thepensionstrust.org.uk



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 this magazine, our services or any specific issues you are facing that you would like to share with fellow members.

Please write to:

Suzy Brear
The Marketing Team,
The Pensions Trust,
6 Canal Wharf,
Leeds LS11 5BQ

Or email
update@thepensionstrust.org.uk

Directory

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Retired, Finance Policy Director

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Retired, Pensions Manager

Allan John Herring

Retired, Manager, New Milton Quaker
Housing Association Ltd

Lynda Howe

Finance & IT Director,
York Housing Association

Dennis Jones

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Keith Nunn

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BT Exploration

Joe Robertson

Retired, Pensions Regulator

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Safe Haven Yorkshire

Clare Smith

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Clive Unitt (Deputy Chair)

Finance Director,
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The Pensions Trust



“Made to measure?
Certainly. I’ll measure,
you make it.”

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@thepensionstrust.org.uk
www.thepensionstrust.org.uk