

SIMPLY PENSIONS

KNOW YOUR BENEFITS

Welcome to this year's edition of Simply Pensions. In this issue, you will find details of changes to the BBPF's funding and investment strategy over the last year as well as the latest pensions news.

Summary Funding Statement

We are pleased to report an improvement to the BBPF's funding level since the annual actuarial review in 2014. To see the results and find out what led to the improvement, please go to pages 2 and 3.

Actuarial valuation

The next full actuarial valuation of the BBPF will be undertaken next year. This in-depth look at the finances of the BBPF usually takes a little longer than the annual actuarial review and we will send you a Valuation Special edition of Simply Pensions to let you know the results as soon as they are available.

The latest news

Members with Defined Contribution (DC) pension savings now have a much greater choice when they come to decide how to receive their benefits. However, this increased choice has led to a sharp rise in pension scams. Please see page 5 for a reminder of what to look out for to help you keep your pension savings safe.

April 2016 will bring changes to the Annual and Lifetime Allowances, as well as a new type of State Pension and the end of contracting out for Defined Benefit (DB) pension arrangements. An overview of these changes can also be found on Page 5.

We hope you find this newsletter useful and informative. We always welcome feedback from members, so please email any comments and suggestions you may have for future articles to BBpensionshelpdesk@balfourbeatty.com or call us on **0151 482 4664**.



Adrian Mathias, Chairman on behalf of the Trustee Board

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MEMBERSHIP as at 31 March 2015

ACTIVE MEMBERS 6,686

DEFERRED MEMBERS 20,016

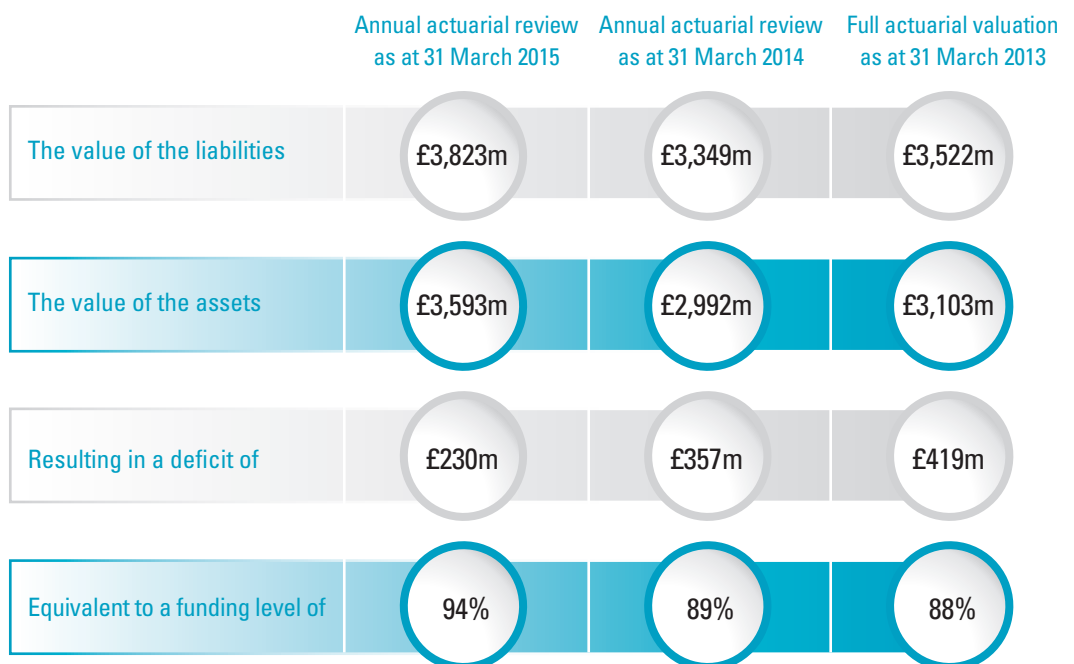
PENSIONER MEMBERS 20,800

THE BBPF SUMMARY FUNDING STATEMENT

As part of managing the BBPF, the Trustee (the governing body of the BBPF) regularly reviews the BBPF's financial health. This is done by an **actuary**, who carries out a full valuation every three years, with annual reviews taking place in the years in between.

How does it work?

As part of the process, the actuary estimates a number of factors like future price inflation and average life expectancy to calculate the expected benefits payable to members – the BBPF's total **liabilities**. The table below shows the results from this year's and last year's **annual actuarial reviews** compared with the last full **actuarial valuation** as at 31 March 2013.



As you can see from the figures above, the BBPF's **funding level** has increased by 5% since last year's annual actuarial review, to 94%. The value of the **assets** has increased considerably, by £601m. Although the value of the liabilities has also risen, the resulting **deficit** is still significantly lower than last year. The increase in the funding level is mainly due to good investment performance and deficit recovery contributions received from the Company as part of the BBPF Recovery Plan.

The BBPF Recovery Plan

In December 2013, the Trustee and the Company agreed a Recovery Plan with the aim of removing the BBPF's deficit by 31 May 2020. This year the Company will have paid £51.28m in deficit recovery contributions.

As part of the last full actuarial valuation as at 31 March 2013, the Trustee and Company also agreed the following:

- A 'Journey Plan' which sets out how the BBPF should move to a lower-risk investment position over time.
- A 'negative pledge', whereby the Company will not, except in agreed circumstances, mortgage, pledge or grant security over certain assets without giving similar security to the BBPF.

Pension terms explained

Actuary: The qualified, independent professional appointed by the Trustee to examine the BBPF's finances and assess its financial health.

Actuarial valuation: An in-depth look at the BBPF's finances, carried out at least every three years. Actuarial valuations are calculated on an 'ongoing basis'. This means the actuary assumes that the BBPF carries on as it is now and that all future benefits to the members are paid from the BBPF's invested assets.

Annual actuarial review: For the years in between formal valuations, an interim review is carried out by the actuary to provide an approximate update on the BBPF's financial position.

Assets: The actual amount of money invested and held by the BBPF.

Liabilities: The amount of money estimated to be needed now to provide benefits earned by all members.

Deficit: The term used if the liabilities are greater than the assets.

Funding level: The ratio of assets to liabilities.

THE BBPF'S INVESTMENT PERFORMANCE

The Trustee sets the investment strategy (how much of each type of asset to hold) and regularly reviews investment performance, aiming to protect the financial position of the BBPF. Here is an overview of the changes to the BBPF's investment strategy over the last year.

Investment strategy

During the year the Trustee completed a de-risking programme, selling a significant proportion of **equities** and **alternative assets**, and increasing its allocation to **credit** and **UK Government bonds**.

The Trustee also made a number of other refinements to the portfolio, including reducing the allocation to UK corporate bonds and increasing the protection in the portfolio against changes in interest rates and inflation. The Trustee continues to explore opportunities for managing the balance of risk and return in the portfolio.

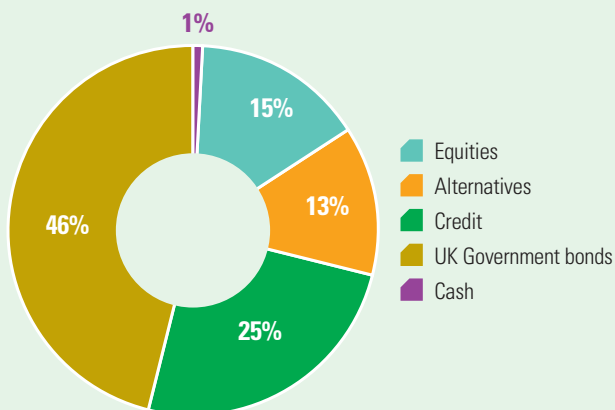
Reduction in Annual Management Charges

The Trustee regularly monitors its fee arrangements with investment managers, and has been able to negotiate a reduction in the fee rate for the Diversified Growth Fund from 0.30% of assets a year to 0.18% of assets a year with effect from 1 December 2015.

How the BBPF is invested

DB assets

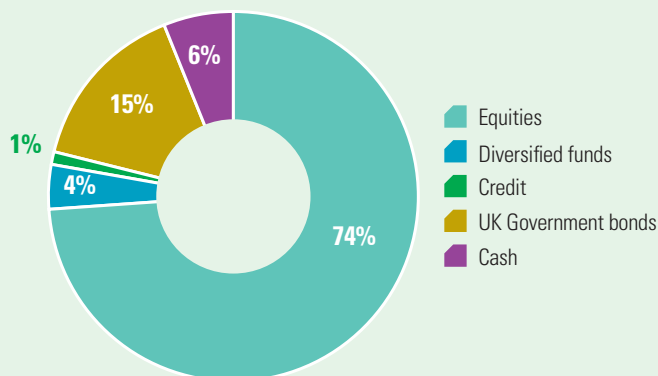
The pie chart below shows how the BBPF was invested on 31 March 2015. The largest proportion was invested in UK Government bonds which help manage risk by matching the BBPF's expected pension expenditure.



Please note: the above figures are subject to rounding.

DC assets

The Trustee provides a range of investment options across various asset classes with the aim of meeting the differing needs of members. The pie chart below shows the total allocation of the members' DC assets on 31 March 2015, with the majority being invested in equities.



Asset types explained

Alternatives: Investments whose value is driven by different factors from traditional investments, e.g. hedge funds and reinsurance.

Cash: Cash funds are usually deposit or savings based, but may include other similar assets.

Credit: A broad range of bond investments, including UK and overseas corporate bonds and overseas government bonds.

Diversified funds: Funds which invest in a broad range of assets, targeting similar returns to equities over the long term but with less risk.

Equities: Shares in a company.

UK Government bonds: Bonds issued by the UK Government.

FREQUENTLY ASKED QUESTIONS

How are the BBPF's finances measured?

The figures on page 2 are produced by an actuary who compares the value of the BBPF's liabilities with its assets. The liabilities are the estimated cost of providing the benefits earned to date by all members.

The assets represent the total value of money available to the BBPF at any point in time to pay the benefits. It includes the money collected from contributing members and the Company. The BBPF's assets are held in a trust fund, completely separate from the Company's assets. The BBPF's assets are invested to provide the benefits that need to be paid out. Where the BBPF has fewer assets than liabilities it is said to have a 'deficit'.

What if the BBPF were to be discontinued and what is the BBPF's discontinuance funding policy?

It is a legal requirement that we provide you with an update on the funding position if the BBPF was terminated and wound up. There are no plans to do so – this is for information only.

In the event that the BBPF were discontinued, the Company would be required to pay enough money to the BBPF so that the Trustee could buy all the benefits built up by members from an insurance company. All active members would become deferred members, which means they would no longer be able to contribute to the BBPF, receive Company contributions or build up further benefits.

As part of this year's annual actuarial review, the actuary carried out an approximate, hypothetical assessment of the financial position of the BBPF if it were to be discontinued. As at 31 March 2015, the actuary estimated that the BBPF's assets would have been around 61% of the amount needed to secure benefits with an insurance company.

If there were insufficient Company assets available to top up the BBPF's assets to 100% then, depending on circumstances, the Trustee would either:

- run the BBPF as a closed fund, or
- use the BBPF's assets to secure as much of the benefits as possible with an insurance company.

Alternatively, the BBPF might enter the Pension Protection Fund (PPF). The PPF acts as a safety net to provide DB members with some level of compensation when an employer becomes insolvent and there is insufficient money to pay members' benefits. Visit the PPF website at www.pensionprotectionfund.org.uk if you'd like to know more.

DC members should be aware that their DC savings would not be specifically protected in the event that the BBPF were to be discontinued. Depending on the precise circumstances, discontinuance could, in theory, mean that members did not receive the full amount of their DC savings. However, following legal advice, the Trustee of the BBPF believes that this is extremely unlikely to happen in practice. If it did happen, there are steps that the Trustee could take to minimise the impact on members' DC savings.

Are my benefits secure?

Although the BBPF has a deficit, the Company is paying additional contributions to remove this deficit over a period of time. This is known as the Recovery Plan, which we described on page 2.

There are regular reviews in place to ensure that the impact of any change in the funding level is recognised and addressed.

The Trustee also reviews the ability of the Company to maintain its contributions by obtaining regular reports from a specialist external adviser. The latest assessment from its adviser is that the Company continues to be able to maintain its support for the BBPF.

THE LATEST NEWS

Increased flexibility for DC savers

Changes to legislation came into effect from April 2015 bringing DC savers more choice around how and when to use their DC pension savings. The BBPF has adapted to offer DC savers some additional flexibility and details of your options will be provided as you approach 65 or your chosen target benefit date.

You can get more information on the increased flexibility for DC savers and help with planning for the future from Pension Wise at www.pensionwise.gov.uk

Pension Scams – don't get caught out!

With the recent change in pension regulations relating to the use of DC pension savings, pension scams are on the rise. If you are yet to draw your pension, be aware of scams that offer you 'early release' of your pension savings. Accessing your pension savings is not usually possible unless you are over 55 (50 in some cases) or qualify for ill health early retirement.



Scams will often involve cold calls, emails, website pop-ups or text messages and may refer to 'legal loopholes'. These scams can include transferring your pension savings overseas and can result in you **losing all or most of your retirement savings** through early release fines, tax bills and poor performance by risky investments.

Find out more about pension scams and what to watch out for at www.thepensionsregulator.gov.uk/Individuals/dangers-of-pension-scams

Changes to the Annual Allowance (AA)

The AA is the maximum amount of pension savings you can build up in all your UK registered pension arrangements in any one year without incurring tax penalties. If you exceed the AA in any year (after making use of any unused allowances from previous years) HMRC imposes a tax called the Annual Allowance Charge. The AA is currently £40,000 for most members, although from April 2016 it may be less if your earnings exceed £110,000.

You should note that if you use any DC savings or transfer any DB benefits from the BBPF to a DC scheme to arrange flexible income, your AA for future DC savings will reduce to £10,000 and your AA for any future DB savings will be reduced by £10,000.

Changes to the BBPF's Pension Input Period (PIP)

The PIP is the period of time over which you measure the growth in your pension savings for AA purposes. The BBPF's current PIP runs from 1 April to 31 March but, following the introduction of new legislation, it will be changing in 2016 to align with the tax year so it will run from 6 April to 5 April, from April 2016 onwards.

For the 2015/16 tax year, transitional arrangements are in place and there may be an opportunity to pay more than £40,000 for this tax year. If you think this may apply to you, we recommend that you seek the advice of an FCA registered financial adviser.

Lifetime Allowance (LTA) reduction

The LTA is the total value of pension benefits you can usually build up during your lifetime without incurring tax penalties. It includes all your UK registered pension savings, not just your savings in the BBPF. The LTA is currently £1.25m, but from April 2016 it will reduce to £1m. If you think your savings may exceed the LTA and you have not already arranged for them to be protected, please contact the Pensions Centre and/or seek the advice of a financial adviser registered with the Financial Conduct Authority (FCA).

Changes to the State pension

Next year, the current basic State pension and State second pension (S2P) will be replaced by a single-tier State pension for people reaching State Pension Age on or after 6 April 2016. This will affect men born on or after 6 April 1951 and women born on or after 6 April 1953.

Your existing National Insurance record will be taken into account when calculating the amount of new State pension you will receive. You can find more information about pensions, retirement planning and State benefits by visiting www.gov.uk or typing 'new state pension' into your internet search engine.

Contracting-out to end

The removal of S2P will also mean the end of 'contracting-out'.

This change will not affect DC members, pensioners or deferred members in the BBPF, but those members who are still contributing to DB Sections of the BBPF may see a rise of between 1% and 2% in the amount of National Insurance (NI) that they pay after April 2016. This is because the reduced rate of NI applicable to members of contracted out occupational pension schemes will cease to apply, and their NI contributions will revert to the full rate.

USEFUL INFORMATION

CONTACT THE BALFOUR BEATTY PENSIONS CENTRE (BBPC)

If you have any questions about your pension with the BBPF or you would like an estimate of your benefits, please contact us by:

calling: 0151 482 4664

emailing: BBpensionshelpdesk@balfourbeatty.com

writing to: Balfour Beatty plc
Pensions Centre
Kings Business Park
Kings Drive
Prescot
Merseyside L34 1PJ

Please note: when contacting the BBPC, please include your full name and date of birth to help us identify you.

NEED FINANCIAL ADVICE?

By law, neither the Trustee nor the Company can give you financial advice. If you need more help, you should consider speaking to an FCA registered financial adviser. You can find details of a local financial adviser at: <https://directory.moneyadviceservice.org.uk/en>.

This newsletter is provided for information only. If there are any conflicts between the information here and the Rules of the BBPF, the Rules take priority.

Need more information?

There are a number of documents available about the BBPF which you may find of interest:

- **Statement of Investment Principles:** explains how the Trustee invests the money paid into the BBPF.
- **Statement of Funding Principles:** explains how the Trustee determines the BBPF's liabilities and its strategy for dealing with any deficit.
- **Recovery Plan:** shows the contributions the Trustee and Company have agreed should be paid to eliminate the BBPF's deficit.
- **Schedule of Contributions:** shows all of the contributions that are being paid into the BBPF by the Company and active members, and the due dates for these contributions.
- **Annual BBPF Report and Accounts:** shows the BBPF's income and expenditure over the year to 31 March each year.
- **The latest Annual Actuarial Report:** contains details of the actuary's review of the BBPF's finances as at 31 March 2015.

To receive a copy of any of the above documents, or if you have any questions, please contact the Pensions Centre; details are on the left.

Data Protection Act 1998

The Trustee needs to hold and process personal data about you to administer the BBPF.

The data may be shared with, or transferred to, your employer, future participating employers and third parties (for example insurers, pension scheme administrators and actuaries) providing services relating to BBPF administration and wider matters relating to benefits under the BBPF, and with bodies that are responsible for preventing and detecting fraud.

The way the data is held and processed is regulated by the Data Protection Act 1998, which places certain responsibilities on those who exercise control over the data (known as 'data controllers'). Data controllers include the BBPF Trustee, and, in certain circumstances professional advisers to the BBPF, including the actuary. All parties who receive your personal data must comply with this legislation – every care is taken to ensure it is held securely, and that your rights are protected.