

January 2012

# Ladbrokes Pension Plan

## ***Pensions Post*** ***Trustees' annual report***

### ***Keeping you up to date with our Plan***

Welcome to the latest online issue of Pensions Post. In this issue we give you an overview of the Plan's finances for the year ended 30 June 2011, and some details about how the Plan's investments have performed. The information provided has been taken from the audited Report and Accounts, and a full copy of this is available on the Plan's website.

As ever, in this issue of Pensions Post, we also share some pension news with you, and inside this issue, there is some news about the changes to State Pensions, and an update on the pension tax changes.

### ***Thank you if you are reading Pensions Post online!***

The move to electronic communications has helped the Plan improve the efficiency of its communications. To help your friends to keep in touch with the Plan, we would be grateful if you would remind your friends to tell us their email address, using the details on the back page.

If you have received a postcard telling you that this issue of Pensions Post was available to view online, we urge you to tell us your email address so we can tell you of any changes to the website, or any new documents added to it. We will no longer send you any reminders to update your details, and in future we will assume you are happy just to find updates on the Plan on the website, as and when you need them.

To all of you who have told us that you do not have access to email, thank you for requesting a hard copy of this report, and we hope you continue to enjoy reading Pensions Post.

We hope you enjoy this issue of Pensions Post and if you have any feedback on this issue, such as improvements you'd like to see or additional information you would find helpful, please let us know.

### ***Inside***

- Plan update
- Investment update
- Pensions news
- Membership of the Plan
- Useful information



# Plan update

## Money into and out of the Plan

Ladbrokes<sup>PLC</sup>

	2010/2011 (figures in 000s)	2009/2010 (figures in 000s)
<b>Value at start of period:</b>	£244,874	£220,929
<b>Where the Plan earned its income</b>		
Contributions	£7,664	£8,338
Investment income	£1	£1,203
Insurance claims on death and reinstatement	£342	£303
<b>Total income</b>	<b>£8,007</b>	<b>£9,844</b>
<b>Change in value of investments</b>	<b>£33,306</b>	<b>£26,297</b>
<b>What the Plan spent</b>		
Benefits payable	£10,726	£9,755
Payments to leavers	£823	£856
Life assurance premiums	£389	£321
Administration expenses	£1,283	£985
Investment management expenses	£280	£279
<b>Total expenditure</b>	<b>£13,501</b>	<b>£12,196</b>
<b>Value at end of period:</b>	<b>£272,686</b>	<b>£244,874</b>

## Funding update

The Plan is subject to a full actuarial valuation, which sets out how much money is likely to be needed in the Plan to pay for all the pensions as they fall due, at least once every three years. The most recent valuation was carried out as at 30 June 2010, which showed that the Plan was likely to need £274 million to pay members' pensions, with assets expected to cover £242 million, i.e. there was an estimated shortfall of £32 million. Following from this valuation, Ladbrokes agreed to pay contributions of approximately £11 million each year, which includes £5.3 million each year for seven years and ten months towards making good the shortfall. Further details of this valuation were provided in the last Pensions Post dated July 2011.

The Plan's funding position was last updated as at 30 June 2011, and at that date the estimated shortfall was reduced to around £20 million.

# Investment update

## How the investments performed

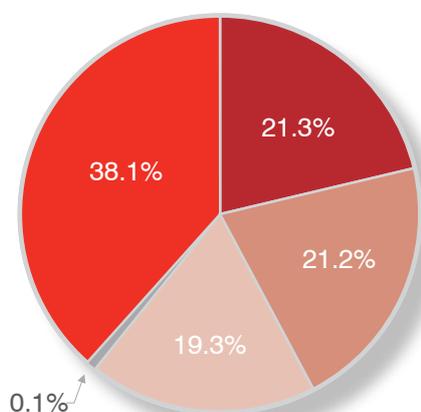
The estimated overall return on the Plan's investments over the year ending 30 June 2011 was 14.1% a year.

Over the last three years until 30 June 2011 they were 7.3% a year.

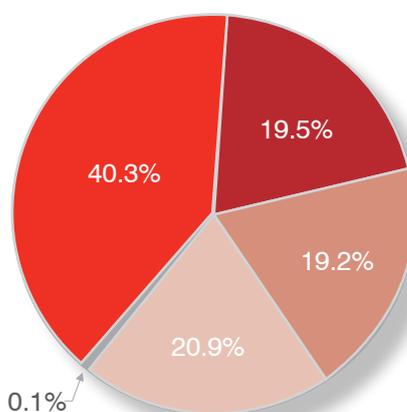
## How the Plan's assets are invested

We regularly review the Plan's investment strategy to achieve a suitable balance between cash flow, performance and risk and decide how much we should invest in the different asset classes to achieve this. In April 2011 the Trustees established a new switching mechanism that is designed to "lock-in" good news from the investments. It does this by switching from equities (higher-risk assets) to bonds (lower-risk assets) automatically after periods when equities significantly outperform relative to bonds. As at 30 June 2011, 57.5% of the Plan's assets were invested in bonds and 42.5% were invested in equities. In the chart below you can see a breakdown of where the Plan's money was invested as at 30 June 2010 and 30 June 2011.

30 June 2011



30 June 2010



- UK Equities
- Overseas Equities
- UK Corporate Bonds
- UK Index-linked Gilts
- Cash

## How investment turmoil has affected the Plan's investments

You will no doubt have read about the financial problems facing the UK at the moment, with many businesses under pressure and unemployment rising. The United States and many countries in Europe are also suffering. For a while, things looked a little better but recently, more concerns have emerged about how quickly a much awaited "global economic recovery" will come. In short, there is a lot of uncertainty out there – and markets don't like uncertainty, which is why we've seen some big falls in markets over recent months. We can probably expect to see some continued investment ups and downs for a while.

## How investment changes affect your pension

We invest the money in the Plan to ensure we have enough money to pay members' benefits when they are due. However, investment returns don't directly impact the value of your pension. Instead, this is linked to your salary and years of service.



## Need help understanding the terms we have used?

If you don't understand all of the terms used in this report, please refer to our online Jargon Buster, which you can find on the website [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk)

# Pensions news

Keep on top of what's happening in pensions and how it could impact you

## **Changes to State Pensions**

The Government recently announced a major overhaul of the State Pension – a regular retirement income that you receive from the Government from State Pension Age to supplement your income in retirement. The proposals are currently being consulted on, but they suggest the current State Pension will be replaced by a new flat-rate State Pension after 2015/2016, expected to be worth around £140 a week (in today's money).

As announced in the July Pensions Post, the Government recently made changes to the State Pension Age – which is now increasing to 66 for men and women by October 2020.

The current law already provides for the State Pension Age to increase to: 67 between 2034 and 2036; and 68 between 2044 and 2046. However, the Government is considering how the State Pension Age should be changed in the future. This may mean the timetable for increases to 67 and 68 will be revised. The Government will bring forward proposals in due course.

For more information on State Pensions, please visit the [www.direct.gov.uk](http://www.direct.gov.uk) website. On the site there is up to date pension information from the Government, and tools that you can use to keep track on your pensions, including a State Pension Age calculator which you can use to see what your State Pension Age may be.

## **Pension tax changes**

The Government has changed the amount of pension savings that you can make and benefit from tax relief. We only expect these changes to affect a very small number of members in the Plan, however we are including some details of these changes in this report to help you to see if you could be affected.

## **Changes to the annual allowance**

The annual allowance relates to the increase in “value” of your pension over a 12 month period, known as the “Pension Input Period”(PIP). The Trustees have selected the Plan's PIP to be the 12 month period to 30 June each year. This includes your pension benefits in the Plan and any other pension savings you make (e.g. Additional Voluntary Contributions or contributions to a personal pension arrangement) or any other benefits you have from a previous employer.

The annual allowance was reduced from £255,000 to £50,000 in April 2011. If, after allowing for inflation, the value of your pension growth is above this level, the excess will be treated as income and taxed at your marginal rate of income tax. However, if you exceed the annual allowance in a particular year, any unused allowance from the previous three years can be used to offset the excess (starting from the 2008/2009 tax year).

To find out how your pension growth is calculated over this period, visit:

 [www.hmrc.gov.uk/pensionschemes/annual-allowance/guide.htm](http://www.hmrc.gov.uk/pensionschemes/annual-allowance/guide.htm)



▀▀ The annual allowance relates to the increase in “value” of your pension over a 12 month period, known as the “Pension Input Period” (PIP). ▀▀

#### **Changes to the lifetime allowance**

The lifetime allowance is the maximum amount of pension benefits you can build up across all of your pension arrangements without a tax charge. It is currently £1.8 million but will reduce to £1.5 million from April 2012. However, some protection will be offered to help protect employees who have already made pension saving decisions based on the current lifetime allowance limit. To find out more about these changes, you should visit:

 <http://www.hmrc.gov.uk/pensionschemes/lifetime-allowance/index.htm>

#### **What do I need to do?**

If you think you could be affected by these changes, please contact your HR department or speak to an IFA. For more information visit:

 [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

More information is also available in the update on the Tax Announcement, August 2011, on the Plan’s website:

 [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk)



#### **Do you want to work after age 65?**

The Government recently announced that it will be removing the default retirement age of 65 for all employees from 1 October 2011. To find out more, visit

 [www.direct.gov.uk](http://www.direct.gov.uk)

The default retirement age refers to your employment only and won’t change the age you can start receiving your pension from the Plan – known as your Normal Retirement Age.

Your Normal Retirement Age is when your Plan benefits would ordinarily come into payment. The Plan Administrators aim to write to you with all the information you need to begin considering your choices 6 months prior to your Normal Retirement Age. This does not mean you must take your benefits at this time, nor does it mean that your employment with Ladbrokes will be ending when you reach the Plan’s Normal Retirement Age.

Once you have received your retirement quotation, if you request any additional retirement quotations (for example, for retiring at a different age or with a lower level of tax free cash) a charge may be made for the additional work involved in sending out the revised information. This charge is currently £130 plus VAT.

To help you to consider your options at retirement, you may wish to speak to an Independent Financial Adviser (IFA). If you do not already have an IFA, you can find one at:

 [www.unbiased.co.uk](http://www.unbiased.co.uk)

**Where can I find more up to date pensions information?**

You can get more information by visiting the websites below. Go to:

 [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk) for up to date news on the Plan.

 [www.direct.gov.uk](http://www.direct.gov.uk) for Government information and public services. There is also a section dedicated to pensions which you can access by clicking on the Pensions and retirement planning link.

 [www.dwp.gov.uk](http://www.dwp.gov.uk) for useful information on the range of benefits and services that the Department for Work and Pensions (DWP) provides.

 [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) for help with complaints and disputes about the way that pension schemes are run.

 [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk) for help with member and beneficiary pension queries.

 <http://www.thepensionsregulator.gov.uk/individuals.aspx> for information on the Pensions Regulator, including a list of pensions resources. The Pensions Regulator works with pension scheme trustees, and employers, to help protect your pension.



# Membership of the Plan

The chart below shows how the line up of the Plan has changed in recent years:

## As at 30 June 2010



## 30 June 2011



## Your comments

We welcome any comments or suggestions that you may have on this report, or about the Plan. Please forward any comments you may have to the Ladbrokes Administration Team. If you are reading this report online, you can do this by sending the team an email: [ladbrokesadmin@hymans.co.uk](mailto:ladbrokesadmin@hymans.co.uk)

## Nomination form

If you die as an active or deferred member of the Plan, or within five years of taking pension benefits from the Plan, a lump sum will be payable on your death. To explain to the Trustees who you would wish any such lump sum death benefits to be paid to, you should complete a nomination form. The Trustees will consider your wishes, however they may not necessarily follow your wishes.

If your circumstances have changed then you may want to update your nomination form. A copy of the form is available on the Plan's website, [www.ladbrokespensionspost.co.uk](http://www.ladbrokespensionspost.co.uk)



# Useful information

## Your team of Trustees

The Trustees of the Plan since 30 June 2010 are set out below.

### Employer Nominated

- Gordon Bissett (chairman)
- Mike Noble
- Charles McAulay
- Stuart Priday (appointed 30 November 2010)

### Member Nominated

- Chris Lynch
- Paul Plowright
- Matthew Sesay (resigned 9 March 2011)
- Dave Bowen (appointed 30 November 2010)
- Jane Hutchinson (appointed 17 May 2011)

## Members' nominations sought for member Trustees

The Plan's member Trustees were first appointed five years ago, and while there have been some changes to the Trustees in this time, their terms of appointment have now come to an end. The Trustees are all offering themselves for reappointment to the roles. However, we are also required to offer our other members the opportunity to apply to become member Trustees. With this in mind, if you are an active member or a pensioner then you are invited to stand for election for one of the four member Trustee positions. If you would like to apply to become a member Trustee, you can read more about the role in the newsletter on the Plan's website, [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk)

If you are interested, you can then apply by 10 February 2012, by completing the form, which is also available on the website.

## Professional advisers

The Trustees use a number of professional advisers for specialist tasks. A full list of the Plan's advisers is included in the Trustees' Annual Report and Financial Statements 2011, which you can find on the Plan's website, [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk)

## Contact details

If you have any questions about the information shown in Pensions Post, which you are unable to find an answer to by visiting the Plan's website, [www.ladbrokepensionspost.co.uk](http://www.ladbrokepensionspost.co.uk), or if you have any queries about your Plan entitlement, you can contact us using the details below:

 The Ladbroke Administration Team,  
Hymans Robertson LLP,  
One London Wall, London, EC2Y 5EA.

 [ladbrokesadmin@hymans.co.uk](mailto:ladbrokesadmin@hymans.co.uk)

 020 7082 6454



## Keep your email address up to date!

Make sure you keep in touch with the Plan's developments, by keeping your details up to date. You can tell us of a change to your email address by contacting the Administration Team, or by completing the online form at [www.ladbrokepensionspost.co.uk/email](http://www.ladbrokepensionspost.co.uk/email)

If you have requested a hard copy of Pensions Post, don't worry, we will continue to send this to you. However, you still need to make sure you keep your address details up to date, so please contact the Administration Team if you move.