

## **PENSIONS POST FROM THE LADBROKES PENSION PLAN (“THE PLAN”) TRUSTEES**

Welcome to Pensions Post – your new pension newsletter from the Plan’s Trustees. The Trustees have recently been looking at our pension communications to make them easier for you to understand and we hope you enjoy reading Pensions Post. This replaces the “Summary Funding Statement” you have received in previous years.

We have also been looking at ways to reduce our costs over time, by combining some of our communications and by introducing a website for members to reduce our printing costs in the future. Watch out for more details on these developments which we will share with you soon.

In this first issue of Pensions Post we explain how we fund the Plan to pay for your benefits. It answers some common questions we receive so please take time to read it through. If you have any feedback about Pensions Post, such as improvements you’d like to see or additional information you would find helpful, please let us know.



# DELIVERING A WINNING PENSION

## A recap on how the Plan works

The Plan is a final salary pension arrangement. With this type of Plan, employee members and their employers pay contributions. With the help of our investment advisers, we invest these contributions in funds, which are expected to provide income and to increase in value over the long term - see investments on page 5. The combination of contributions, investment income and growth is then used to pay members' pensions, which are based on service with Ladbrokes and salary before retirement. The assets of the Plan are held in a trust fund out of which all Members' pensions are paid by the Trustees. The fund is a common fund for all Members. Assets are not held in separate funds for each individual Member.

## How do we work out how much money is needed to pay pensions

The Plan Actuary advises the Trustees on how much money is likely to be needed in the Plan to pay for all the pensions as they fall due. This estimate is called an "ongoing valuation". This valuation is usually prepared and reviewed every three years, with approximate updates each year in between.

In preparing this "ongoing" valuation, the Trustees and Ladbrokes, with the assistance of the Plan Actuary, decide upon a number of assumptions about what might happen in the future, in particular:

- how long the Members are anticipated to live;
- what inflation (future price increases) will be; and
- what investment returns the Plan will earn on its assets.

The Trustees also check how much it would cost if the Members' benefits were transferred to an insurance company who would then pay the pensions. This is called a "solvency valuation" and is more conservative than the "ongoing" valuation.

## What do we mean?

### Plan Actuary

Actuaries are qualified professionals who use their knowledge and experience to advise on how long pensions will need to be paid for, and the associated costs of providing them.

### Assets

These are all the monies that the Trustees hold for the Plan. They include investments, such as shares, bonds, and bank balances.

### Funding target

This is the amount of assets that, in the Trustees' opinion, the Plan should hold in order to pay all pension benefits that have been built up to date, having taken the advice of the Plan Actuary.

### Funding position

The funding position of the Plan is a comparison of the assets and the funding target on a specific date.

### Shortfall

This is where the value of the Plan's assets is less than the funding target.

keeping your  
eye on the prize



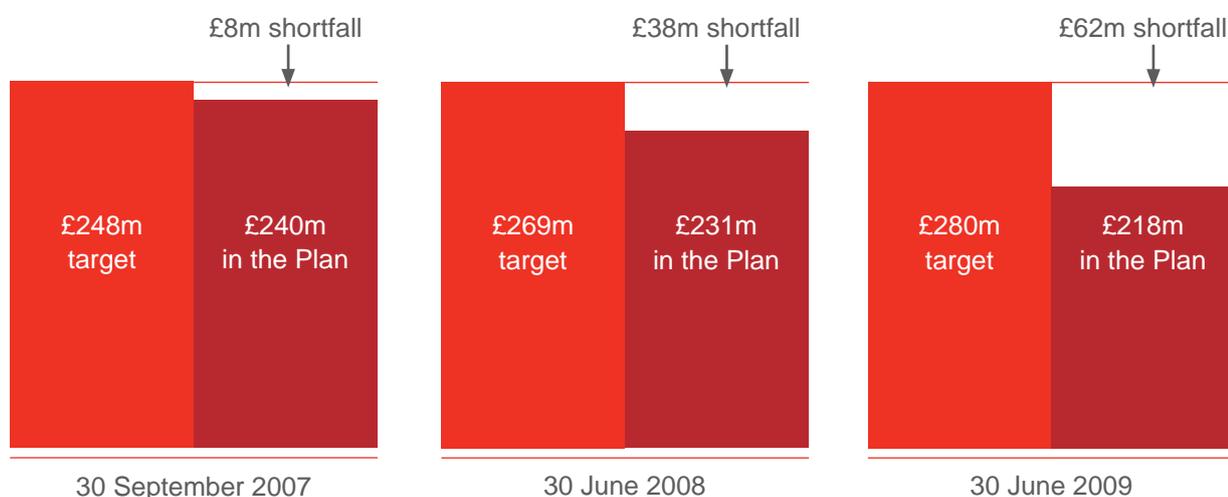
there's no gamble

## What is the Plan's financial position?

The Plan's funding position goes up and down over time as market conditions change. The Summary Funding Statement we sent you last year showed the positions based on a full actuarial valuation as at 30 September 2007 and an update as at 30 June 2008. Since then, we have obtained a further funding update as at 30 June 2009. The charts below show the Plan's funding position at 30 September 2007, 30 June 2008 and 30 June 2009.

The funding update as at 30 June 2009 showed that:

- the Plan had assets of £218 million
- it had a funding target of £280 million
- this gave it an estimated shortfall, on the "ongoing" valuation basis, of £62 million.



## How has the Plan's financial position changed recently?

The shortfall on the "ongoing" basis as at 30 September 2007 valuation was £8 million. Between 30 September 2007 and 30 June 2008 the shortfall on the "ongoing" basis increased by £30 million to £38 million, mainly due to unfavourable investment returns. Between 30 June 2008 and 30 June 2009 the shortfall increased by a further £24 million to £62 million. This was due to further unfavourable investment returns and changes in financial market conditions.

On the more conservative "solvency" basis the shortfall was £41 million as at 30 September 2007. The funding position has worsened on this basis too since 30 September 2007.

### Has the funding position changed again since 30 June 2009?

Since the funding update was carried out as at 30 June 2009, the Plan's assets will have increased in value due to the recovery of global financial markets. However, the Plan's funding target will also have increased due to changes in financial market conditions, so the Plan's funding position may not have improved. We are obtaining a full actuarial valuation of the Plan's financial position as at 30 June 2010, which will take account of things such as updated information on members' life expectancy, as well as changes in the financial markets. We will provide the results of this valuation in the next Pensions Post.

how the odds have changed



## The shortfall and your benefits

It is important to remember that the Trustees' aim is to continue to pay pensions in full to all members, even if there is a shortfall in assets. We expect that the Plan's funding level will go up and down over time as the value of the Plan's investments varies and the estimate of how much money is needed varies.

**Remember:** The valuation as at 30 September 2007 and the funding updates as at 30 June 2008 and 30 June 2009 are only snapshots of the Plan's financial position at particular points in time. The Trustees invest for the long term and Ladbrokes' contributions are normally set every three years, following each full valuation. The next full valuation will take place as at 30 June 2010 and Ladbrokes' contributions will be reviewed at that time.



## Company contributions to remove the shortfall

Ladbrokes has assured the Trustees that it remains committed to providing your pension benefits. As reported previously, Ladbrokes increased its contributions from 1 January 2009 to approximately £7 million each year, which includes £1.6 million each year for seven years towards making good the shortfall.

finishing on a par

our additional backers

## How are my benefits protected?

### Pension Protection Fund

The purpose of the Pension Protection Fund ("PPF") is to ensure that members of defined benefit schemes receive pensions even if their company goes out of business. The PPF is not intended to replicate a member's pension, but aims to ensure that, in the event of a scheme's sponsoring employer getting into difficulties, members will receive a minimum level of benefits, although this minimum may be less than members would have otherwise received from the Plan. For further details about the PPF, you can read the introductory guide at: [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

### The Pensions Regulator

The Pensions Regulator aims to help protect members' benefits. The Regulator acts as a watchdog, ensuring that employers and trustees are fulfilling their responsibilities and schemes are being run effectively. The Pensions Regulator is also able to help trustees and administrators run their schemes where necessary.

### Legal notice

The Trustees are required to confirm that:

- The Regulator has not imposed any directions on the Plan, modified future benefits provided by the Plan or imposed a schedule of contributions on the Plan.
- There has not been a payment to Ladbrokes out of the Plan funds over the twelve months preceding the date of this document.

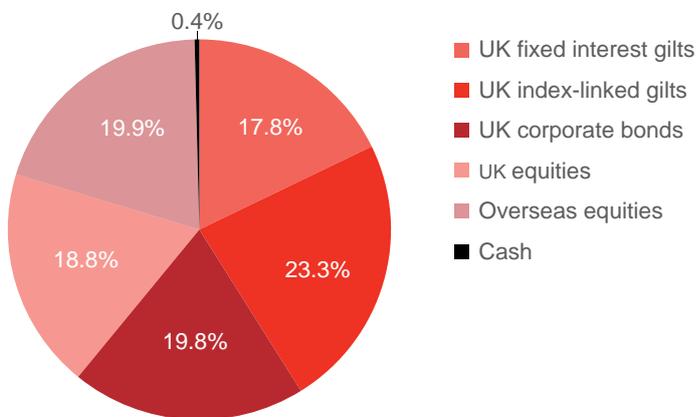


## The Plan's investment policy

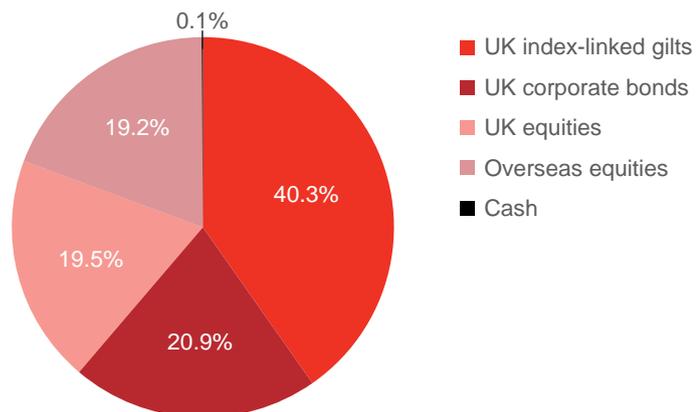
The Plan's assets are invested with the aim of increasing their value and providing income that is used to pay for promised benefits. The Trustees regularly review the Plan's investment strategy to make sure that the Plan's assets continue to be invested appropriately.

In October 2009, the Trustees switched the Plan's holdings in UK fixed interest gilts to UK index-linked gilts. The Trustees made this switch, as investing in index-linked gilts will help the Trustees to match the Plan's assets to the funding target, in particular guarding against future inflation. The charts below show the Plan's investment allocation at 30 June 2009 and 30 June 2010.

The Plan's investment allocation as at 30 June 2009



The Plan's investment allocation as at 30 June 2010



### How the Plan's investments affect your pension

Global investment markets affect pension arrangements like ours because we invest our assets in different markets. However, it is important to remember that your pension in the Plan is linked directly to salary before retirement and years of service rather than the underlying performance of markets or the Plan's investments. The key issue for us is the future support of Ladbrokes to help us meet any funding shortfalls.



## Additional documents available on request

- The **Statement of Investment Principles**. This explains how the Trustees invest the money paid into the Plan.
- The **Schedule of Contributions**. This shows how much money is being paid into the Plan.
- The **Annual Report and Accounts of the Plan**. This shows the Plan's income and expenditure over each Plan year.
- The actuary's full report on the **Actuarial Valuation** of the Plan as at 30 September 2007.
- The **Statement of Funding Principles**. This sets out the Trustees' policy for making sure the Plan can pay for all the pensions as they fall due.
- The **Recovery Plan**. This sets out how the Trustees and Ladbrokes are going to make good the shortfall revealed by the actuarial valuation.
- The **Plan booklet** (you should have been given a copy when you joined the Plan, but you can request another copy by contacting Human Resources).
- An **Annual Benefit Statement** – If you are not getting a pension from the Plan (and have not received a benefit statement in the previous 12 months), you can ask for a statement that provides an illustration of your likely pension.



## Where can I get more information?

If you have any questions, or would like more information, please contact the Ladbrokes Pension Plan administration team using the following details:

Hymans Robertson LLP  
One London Wall  
London  
EC2Y 5EA

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

**Important:** If you are thinking of leaving the Plan for any reason, we recommend that you get advice first. For a list of independent financial advisers local to you simply go to **[www.unbiased.co.uk](http://www.unbiased.co.uk)**

Please help us to keep in touch with you by telling us if you change address.