

PensionNews

Spring 2020

A Pension Plan Report to Members on behalf of the Avon Rubber Retirement and Death Benefits Plan

Your Pension. Your Future.

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Miles Ingrey-Counter
Chairman of the Trustee Board

Message from the Chairman of the Trustee Board

Welcome to the latest edition of the Avon Plan Trustee Newsletter.

It has been another busy year for the Plan. Pensions have been in the news for a variety of reasons all year and members should take comfort that we have remained focused on ensuring the Plan is run as efficiently and effectively as possible on behalf of members. We have held four quarterly Trustee meetings together with additional meetings related to investments and the latest valuation, together with various committee meetings.

The good news is that the Avon Rubber goes from strength to strength and its willingness and ability to support the Defined Benefit (DB) Plan continues to increase. This year we will complete the latest valuation exercise and expect to agree a new set of financial contributions to pay off the funding deficit. At the same time we have reviewed the Plan's investments and made a number of significant investment changes. These are aimed at reducing the risk and volatility of the Plan's investments and, in tandem with increased financial contributions from Avon Rubber, should deliver less volatile and more predictable investment returns in the coming years. There is more detail on both the valuation and the investment performance over the year to March 2019 in the DB section of this newsletter.

During the year:

- The Trustee board has remained stable with no changes
- We have seen the service from Mercer to DB members improve
- We have agreed strategic objectives for our investment consultancy providers as required by the Competition and Markets Authority. These are included in this newsletter under the DB and DC investment sections below.
- We have defined the Trustee's approach to environmental, social and governance (ESG) considerations when investing, as required by the latest standards on responsible investing. Please see page 10 for more information on our approach to responsible investing.
- We have commenced a project to ensure that Defined Benefit member data is corrected to reflect the equalisation of retirement ages for men and women, which will result in changes in the way benefits are calculated for many members with service in the early 1990s. This is a complicated exercise which is explained in more detail in the DB section of this newsletter.

Avon Rubber Highlights 2019

Revenue

2019	£179.3m
2018	£165.5m
2017	£159.2m

£179.3m

Adjusted* Operating profit

2019	£31.3m
2018	£27.3m
2017	£26.1m

£31.3m

Net cash

2019	£48.3m
2018	£46.5m
2017	£24.7m

£48.3m

* Further details can be found under the investor section on the Avon Rubber website.

For members of our DC scheme, please take a moment to log onto the Standard Life portal to see your investments, access your correspondence from Standard Life and check the illustration of your estimated pension at retirement. There has been particular focus in the last year on meeting our governance obligations in the DC scheme and I thank Rob Wills and the DC sub-committee for leading this project.

Finally, this introduction would not be complete without a reference to Brexit. At the time of writing it is difficult to predict the impact Brexit will have on the Plan but this is something we are continuing to monitor, and we will take advice on what any decisions made in the coming months mean for the Plan.

If you have any comments about this newsletter or the Plan in general, please contact the administration teams or the Trustees directly.

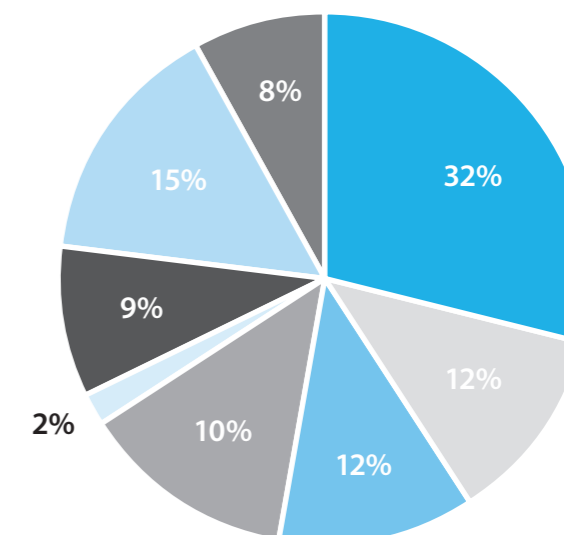
Key facts and figures

Defined Contribution section members as at 31 March 2019	
Total number of members:	
Brought forward from last year	210
New entrants	19
Exits	(5)
Active members on 31 March 2018	224
Deferred Defined Contribution members with preserved pensions	136

Defined Benefit section members as at 31 March 2019		
	Year ended 31 Mar 18	Year ended 31 Mar 19
Ex-members with preserved final salary pensions	1,413	1,327
Pensioners	2,005	2,018
Total	3,418	3,345

Summary of money coming in and going out of the Plan		
	Year ended 31 Mar 18 £(000)	Year ended 31 Mar 19 £(000)
Value of the Plan at start of year	343,681	329,333
Money coming in less money going out	(15,886)	(14,989)
Change in market value of investments	1,538	21,420
Value of the Plan at end of the year	329,333	335,764

Percentage of assets split by investment manager as at 31 March 2019



BlackRock LDI funds
Skagen Global II Fund
Cash
Finsbury High Yield Funds (Shenkman)
Majedie Asset Management
First Eagle
Insight Broad Opportunities
LF Ruffer Absolute Returns

Notes:

Money coming in less money going out consists of payments to pensioners offset by contributions from Avon Rubber.

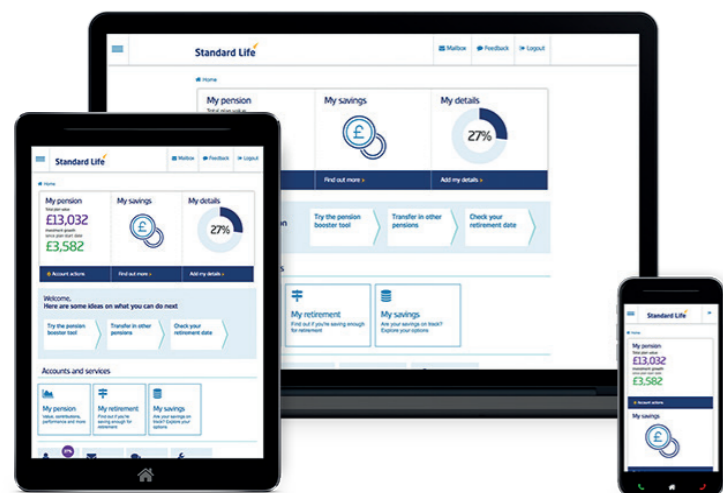
Despite seeing significant movements during the year, market indices at March 2019 were generally marginally higher than at March 2018.

Defined Contribution section

Benefits in the Defined Contribution (DC) section are determined by a combination of contributions paid by members and the Company and investment income earned. The Company pays an amount specified in the Rules that depends on each member's chosen contribution rate.

This is a valuable benefit provided by the Company and we want members to be in a position to get the best possible outcomes from this. We have partnered with Standard Life to provide a wide range of funds you can choose to invest in and Standard Life offer a great online portal to access all the information you might need in relation to your personal benefits and the options available to you.

For further information about joining the pension plan, receiving tax benefits from the Government and also receiving additional contributions from the company you can visit the Standard Life Avon portal at: www.standardlifepensions.com/avonrubber



GET STARTED
Joining the pension
 The sooner you join, the sooner you'll start receiving tax benefits from the Government - and you will also get extra contributions from the company.

WHAT DOES THIS MEAN FOR YOU?
Pension flexibility
 Everyone has control over how they take money from their pension. There's a minimum age after which you can withdraw money, but pensions are now one of the most tax-efficient and flexible ways to save for the future.

YOUR PAYMENT CHOICES
How much should you pay?
 It's up to you - as long as you meet the minimum set by the company. But remember, paying in a little bit more now could make a big difference when you retire.

WHAT'S SO GOOD ABOUT A PENSION?

Maximise your workplace pension to claim all the money you've earned

A pension can be a great, tax-efficient way to save and if you are an Avon employee you can enrol in the DC Pension scheme which means the Company will be paying towards your future too.

Since people started being automatically enrolled into their workplace pension, more than 9.5 million people in the UK have joined one.

If you're not currently in the Company pension scheme or taking full advantage of what you're entitled to, you're effectively missing out on money in the form of Company contributions. The Company will match the contributions you make to your pension pot, up to a maximum of 7.5% of salary.

Getting in the saving habit couldn't be simpler

Once you're in a workplace pension, it couldn't be easier to stay in the habit because payments come straight from your salary.

That means money isn't gathering in a bank account tempting you to spend it.

Increasing your pension contributions even just a little could make a big difference to your pension pot in the long run.

If you can take little steps now, your future self will thank you because it's increasingly unlikely that you can rely on the State Pension alone to provide the lifestyle you'd like for your retirement. The basic State Pension is less than a minimum wage salary and the age when you can claim it is rising. You could be in your late 60s by the time you are eligible.

Give your money the chance to grow

The great thing about a pension is that any money you and your employer are putting aside for your future is invested and will have the chance to grow, although do bear in mind that a pension is an investment, it can go down as well as up and you could get back less than you paid in.

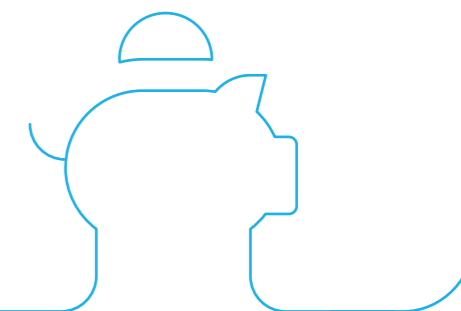
Where you choose to invest could make a big difference to your future lifestyle and when it comes to choosing and reviewing these investments you'll want to think carefully about how involved you would like to be and how much risk you want to take, amongst other things.

Tax relief can be your pension's secret weapon

Having a big impact on your future prosperity may not take as much out of your pocket today as you might expect because you get tax breaks on the payments you make to your pension.

These are normally at the highest rate of income tax that you pay. This means that saving £100 into your pension pot only normally costs you £80 – or just £60 if you are a higher rate taxpayer. Tax rules and legislation can change and your own circumstances will have an impact on tax.

Current members of the DC section of the plan can manage their pension online at: www.standardlife.co.uk/1/site/employeezone/login



WHAT'S SO GOOD ABOUT A PENSION?

Pension freedoms give choices

When you eventually come to take your life savings - currently possible from the age of 55 - pension freedoms mean that you now have more choice and flexibility. It's up to you when and how you take your money. But not all pension plans will offer these options - check you're in the plan that's right for you.

Pass on your savings to loved ones - sometimes tax free

Pension savings can pass to your children or other loved ones, sometimes tax free, and usually without paying inheritance tax (IHT) as pensions are not usually included in IHT.

You can find out more about passing pensions on from Pensionwise.

Just make sure you keep your provider up to date with which loved ones should benefit by keeping your beneficiary nomination form updated as your pension isn't normally covered by your Will. It's particularly important following major life events such as the birth of children or divorce. *Employees will be issued 'Expression of wish forms' with the March payslips to help keep you updated.* All members can update their beneficiaries using the Standard Life online portal or the App.

Where can you get more information on your Pension Scheme?

For further information regards joining the pension plan, receiving tax benefits from the Government and also receiving additional contributions from the Company you can visit the Standard Life Avon portal at www.standardlifepensions.com/avonrubber.

Current members of the Plan can manage their pension online at www.standardlife.co.uk/1/site/employeezone/login

You can also access and manage your pension using the Standard Life App.



You can find out more about your pension freedom options by visiting Pensionwise.

Go to www.pensionwise.gov.uk or call 0800 138 3944



Connecting millions to great advice

If IHT is a concern for you, it's worth taking professional advice from your adviser. If you don't have one you can get one at unbiased.co.uk

The Standard Life App for mobile and tablet

24/7 access to your pension and savings

- Quick and secure login with fingerprint or PIN. We also support Face ID on iPhone X
- Top up your Pension and ISA
- View your Mailbox and send secure messages
- See how your funds are performing



Default Fund

What's the default fund?

The default fund is a 'balanced' investment profile chosen by the trustees following detailed analysis of the DC Scheme's membership and investment advice from our advisers Aon Hewitt. New members are automatically joined into the 'balanced' investment profile unless they choose otherwise.

The 'balanced' investment profile is designed to provide:

- Medium risk
- Potential for long-term growth with some security
- Moves to lower risk investments approaching retirement
- Designed for members who prefer to take some risk but would also like some of their investments to be secure

Active Plus III Universal SLP

The fund selected by the trustee is the Standard Life Active Plus III Fund. The Active Plus Fund offers the potential for long-term growth with an appropriate level of risk for our members. It also provides "lifestyling" which means that as you approach retirement, investment risk is gradually reduced by moving your fund into deposit style investments. This profile is designed for members who want to take their full tax-free lump sum, and have the flexibility to take the rest of their pension savings the way they want. The fund is charge cap compliant and is actively managed. The trustees have negotiated a 0.71% scheme rebate which means effective total annual fund charge is just 0.42%. Note these charges and rebates are regularly reviewed and could be changed in the future.

To find more information on the individual funds that make up the lifestyle profile please access your fund account.

Default Fund Performance for the period ending 31 December 2019

	Name	Cumulative Performance (%)				
		3m	6m	1yr	3yr	5yr
Active Plus III Universal SLP						
Fund	Standard Life Active Plus III Pension Fund	1.39	4.01	13.64	17.12	32.41
Benchmark	Custom Composite Index	0.88	3.19	12.04	18.54	37.48
Fund	Standard Life At Retirement (Active Plus Universal) Pension Fund	0.82	2.80	8.96	11.02	16.83
Benchmark	Custom Composite Index	0.37	2.13	7.85	11.73	19.90
Fund	Standard Life Pre Retirement (Active Plus Universal) Pension Fund	1.02	3.63	11.88	14.43	24.75
Benchmark	Custom Composite Index	0.43	2.72	10.32	15.29	30.14



Investment charges: promoting transparency

With DC savings comes the responsibility of deciding - and monitoring - how your DC account is invested. When doing so, it can be easy to overlook the investment charges that apply.

Every investment fund carries a charge which covers the investment manager's running costs, plus other costs such as administration and auditing. Costs are usually taken each year as a percentage of the value of savings invested. Here, transparency is important so that savers can decide whether investments represent value for money.

You will note that illustrations of the impact of charges have been included on the member website [see address on page 12] and issued in your recent benefit statements.

DC Investment Consultancy

Following an investigation into the investment consultancy and fiduciary management market, the Competition and Markets Authority (CMA) has introduced new duties for trustees and managers of occupational pension schemes, which took effect from 10 December 2019.

In line with the new duties the Trustees have appointed Aon to provide DC Investment Consultancy Services and have set the following objectives:

Demonstration of added value

- Help the trustees put in place an appropriate default arrangement and range of self-select funds that enable members' needs to be met and improved outcomes to be delivered.
- Enable the trustees to implement their scheme's investments on a competitive fee basis
- Help the trustees to transition any assets between investment managers on a cost-effective basis.

Delivery of specialist services

- Help the trustees to decide on an appropriate risk performance objective to set for their default

arrangement(s) and the range of self-select funds to meet the needs of members.

Proactivity of advice

- Advise the trustees on relevant new investment opportunities or emerging risks
- Deliver training to enable the trustees to engage with new investment opportunities, emerging risks or opportunities to manage risk.

Support with scheme management and compliance

- Assist the trustees with the review and update as appropriate of the scheme's statement of investment principles [SIP]

Relationship and service standards

- Produce investment reports, briefing papers, investment advice in-line with service level agreements

Support with additional matters arising

- Provide advice and assistance to the trustees on any other issues arising

Support with member engagement and communication

- Help the trustees increase engagement with the membership to better understand their needs and assess how the investment choices currently available meet their needs.

These objectives will be monitored on a regular basis by the Trustee as a means of monitoring Aon's performance as DC investment consultant. These objectives may be revised at any time but will be reviewed at least every 3 years and after any significant change to the Plan's investment strategy and/or objectives.

Cyclical Automatic Re-enrolment

Our Cyclical Automatic Re-enrolment Date, previously known as Triennial Review, which occurs approximately every three years, is due this year. This means all eligible employees who have previously opted out of the scheme will be automatically re-enrolled again in our July staging date. To keep you up to date and informed regards this and the other actions we are looking to put in place we will be looking to conduct some employee communications this spring - watch this space!

Defined Benefit Section Focus

Actuarial valuation and funding position

The Trustee Board is responsible for ensuring that sufficient contributions are paid into the Plan to cover benefits payable in accordance with the Rules and to build up funds to pay for future benefits.

Since the closure of the Defined Benefit section of the Plan in 2009, benefits in the Defined Benefit section are paid for by a combination of contributions paid by the company and investment income earned

The amount of contributions to be paid is agreed between the company and the Trustee and recorded in a Schedule of Contributions. The Trustee Directors are advised by the Scheme Actuary who helps them agree appropriate assumptions with the company for calculating contributions. Once the assumptions are agreed the Scheme Actuary assesses the amount of money in the Plan relative to the benefits that must be paid out, both now and in the future. This assessment is known as an actuarial valuation of the Plan and is normally carried out every three years.

We are currently carrying out a valuation with an effective date of 31 March 2019 and have received some initial results from the Scheme Actuary which we are now discussing with the Company with a view to revising the contributions paid into the Plan. The actuarial valuation needs to be completed, and a new schedule of contributions in place, by 30 June 2020 so we will be able to communicate the outcome of this review later this year.

Gold Standard for Financial Advisers

Members of 'defined benefit' (DB) pension arrangements, such as the Plan, can transfer their benefits to an alternative arrangement, to access more flexible retirement options. It is important (and in some cases a requirement) to take independent financial advice before taking such transfers.

The Pensions Advice Taskforce recently launched the Pensions Transfer Gold Standard for financial advisers - a voluntary code of good practice for giving advice on transferring from DB arrangements.

Regulated financial advice firms must already adhere to two existing regulatory principles – a firm must pay due regard to:

- the interests of its customers - and treat them fairly, and
- the information needs of its clients - and communicate information to them in a way that is clear, fair and not misleading.

Firms that work in line with the Gold Standard must also adhere to a further set of nine Gold Standard principles.

Firms that adopt the Gold Standard will display the 'badge' on their literature.

You can find Gold Standard IFAs on the Money Advice Service website (<https://www.moneyadviceservice.org.uk/en>), by going to Pensions & Retirement / Retirement adviser directory. The Money Advice Service now forms part of the Money and Pensions Service

For more information on the Gold Standard, go to www.thepfs.org and go to About us / Initiatives / Pension Transfer Gold Standard.



How secure is your pension?

The Pensions Advisory Service has published an online leaflet, Defined Benefits: how secure is my pension? This answers some of the common questions about the funding issues surrounding defined benefit (DB) pension arrangements, and about the safeguards and guarantees that exist.

Go to www.pensionsadvisoryservice.org.uk. You can find the leaflet in the News section of the site. The Pension Advisory Service now forms part of the Money and Pensions Service.

Defined Benefit Section Focus Continued

Sex Equalisation within the Plan

Historically, the Plan's Rules defined Normal retirement Age (NRA) to be age 65 for male members and age 60 for female members, which was common practice in pension schemes at that time.

With effect from 17 May 1990, there became a requirement for benefits within occupational pension schemes, such as the Avon Plan, to be payable from the same NRA for both male and female members. This was a result of a high profile Court Case, and is often referred to as the Barber judgment.

At the time of the ruling, the Plan's Trustee took steps (in line with those taken by many other trustee boards) to equalise the normal retirement age - this resulted in the benefits accrued within the Plan within a specific period of time (known as the Barber period) being payable from age 60 for both male and female members. Benefits accrued after this period became payable at age 65 as standard for both male and female members.

For the Avon Plan, the 'Barber period' was thought to be 17 May 1990 to 29 October 1990. Any pension benefits built up during that period could be paid to members at age 60 without any reduction for early payment.

It has recently transpired that this Barber period should be 17 May 1990 to 7 December 1992. This means that a marginally higher proportion of members' benefits may be payable unreduced from a retirement age of 60 rather than 65, meaning some members could be due a small additional pension amount or may be able to take some of their benefits at an earlier age than originally planned.

This is a complex issue and it will take some time to work through the implications of this, including advice and input from the Plan's legal advisers, actuarial consultants and administrators.

This issue only affects members who were active contributing members of the DB pension plan between the dates mentioned above and whilst the impact will be different for each member, we expect any increases to members' pension benefits to be minimal. There may be no increase to benefits for some members active during this period, due to the favourable retirement terms that applied in the Plan historically (where benefits were paid from age 60 without reduction).

There is no action needed from members in relation to this, the Plan's administrators will contact you if you are affected once we have worked through this information.

GMP Equalisation

We told you in last year's newsletter about a High Court ruling regarding the equalisation of Guaranteed Minimum Pensions ("GMPs"). As we mentioned then, this is a very complex issue and along with many other pension schemes, we are awaiting further guidance and information from the Court and various Government departments. Once we know more, we will contact all affected members with details but we expect this to be a long process so please don't worry if you don't hear from us for a while.

Latest News

Equal pension rights for same-sex partners

A Supreme Court ruling in July 2017 (Walker v Innospec) found that same-sex married couples and civil partners should be entitled to pension-related death benefits in the same way as opposite-sex married couples.

The Government does not plan to amend legislation for the Court's ruling. However, it has stated that pension schemes will need to take advice to ensure that they are compliant with the judgment, which may increase benefits for same-sex spouses (and civil partners) under some schemes.

The Trustees have sought legal advice and have amended the Plan documentation to ensure benefits are provided on the same basis for same-sex spouses (and civil partners) as for opposite-sex spouses.

Responsible investing

Across the pensions industry, environmental, social and governance (ESG) considerations are becoming increasingly high profile. Related to this, the economic impact of climate change is having an increasing influence on trustees' investment strategies.

The government has recently published its first green finance strategy, including actions for all the UK's financial regulators.

It's in the interests of investment managers to consider national and international climate policies as these might provide some insight on the wider business environment.

Sustainable and responsible investment options are likely to become increasingly common. We work closely with the Plan's investment managers to make sure that the investments held by the DB section of the Plan and the investment options available to DC members are appropriate.

The Trustee is happy to receive any feedback members may have on this.

Meet the Trustees



Miles Ingrey-Counter
(Chairman)



Eric Fielding
(Member Nominated)



David Little
(Member Nominated)



Rob Wills
(Company Nominated)



Zoe Holland
(Company Nominated)



Mike Harral
(Company Nominated)

The Plan's advisors

Auditor



Investment Managers



Banking



Scheme Actuary
Susan Hoare FIA



Defined Contribution
Provider



Final Salary Administrator
& Investment Consultant



Legal Advisor



Further information

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can find an adviser in your area by searching the Money Advice Service directory at <https://directory.moneyadviceservice.org.uk/en>.

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at <https://register.fca.org.uk> or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

For more general information on pensions and saving for retirement, the following websites are useful resources:
www.moneyadviceservice.org.uk

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

www.gov.uk The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

www.pensionwise.gov.uk The Government's guidance website explains the flexible DC retirement options.

If you have a concern about your benefits, contact the Early Resolution Team:

Go to www.pensions-ombudsman.org.uk/our-service/make-a-complaint Phone: **0800 917 4487** and select the option to discuss a potential complaint Email: helpline@pensions-ombudsman.org.uk

DEFINED BENEFIT PLAN ADMINISTRATORS



Mercer Consulting Limited,
PO Box 505, Chichester, PO19 9AF
Member Helpline: 0800 046 6183

MONEY PURCHASE PLAN ADMINISTRATORS

Standard Life

Standard Life, Dundas House,
20 Brandon Street, Edinburgh, EH3 5PP
Member Helpline: 0800 634 7479

TRUSTEE REPORT & ACCOUNTS

The Trustee Directors publish a formal Report and Accounts each year that covers some of the items outlined in this newsletter. Please ask Mercer if you would like a copy or a copy of the Funding Review by the Scheme Actuary. You should write to Mercer if you would like to see the Plan's Trust Deed and Rules or if you want a further copy of the current Members' Booklet. All of these documents are available on the Plan's website at:

www.avon-rubber.com/pensions

INTERNAL DISPUTE RESOLUTION

If you do have any problems with the Plan it is hoped that these can be resolved by the Administrators. If necessary, however, the Trustee Directors have a formal process for dealing with member disputes. Further details of this are available from Mercer or via our website. You may also be able to obtain assistance from the following external bodies:

The Pensions Ombudsman

The Pensions Ombudsman has the power to investigate and decide upon complaints and disputes involving occupational pension schemes. He will normally expect to act only when a matter has been through the Plan's Internal Dispute Resolution Procedure and referred to TPAS and not satisfactorily concluded. The web address is:

www.pensions-ombudsman.org.uk

The Pension Tracing Service

The Pension Tracing Service enables ex-members of schemes with pension entitlements, and members' dependents, who have lost touch with earlier employers. The web address is: www.gov.uk/find-lost-pension

If you need to contact the Registrar, the telephone number is 0345 6002 537 or you can write to The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU

REMINDER TO KEEP US UP TO DATE

Please let us know if you change your name or address so we can continue to contact you about the Plan and your benefits.

Please also ensure you complete an Expression of Wish form if you have not done so already, or if your personal circumstances have changed recently. This helps us as Trustees understand your family circumstances and your wishes in the event of your death. These forms can be obtained from the administrators for the relevant section of the Plan – see above for contact details.