Pension News

Brush Group (2013) Pension Scheme
APRIL 2017

Welcome to the latest edition of Pension News

The past year has again been a busy year in the world of pensions, contracting-out ended and the new limits on tax relief on pension savings and changes to the State Pension came into effect. The outcome of the European Union referendum took many people by surprise and this has created some uncertainty across global markets. As you would expect, the Trustee Directors have been monitoring the situation carefully and taking advice as to any actions needed.

This newsletter contains the summary funding statement for the Scheme. This contains the latest information about the Scheme's financial health and the arrangements that are in place to support your benefits.

In addition this newsletter invites nominations for a Member-nominated Trustee Director to join the board. The term of office for the current Member-nominated Trustee Director, Gary Peters, expired on 31 March 2017. If you are interested in becoming a Trustee Director, please see pages 12 to 14, which provide information about the role and the responsibilities involved, along with details of how to apply.

If you have questions about anything covered in this newsletter, please get in touch with the Aon Hewitt Brush team – their details can be found on the back page.

Inside

Summary funding statement

As Trustee Directors, we look after the Scheme on behalf of its members. In particular, we are responsible for managing the Scheme's funding position. This involves comparing the value of the Scheme's assets with an estimate of the assets the Scheme needs to provide all pension and other benefits, based on agreed financial and other assumptions.

This funding statement, which is a legal requirement, is provided to help members understand the level of financial security of the Scheme. The funding statement will be updated and sent to members each year.

Understanding the level of financial security, and how this is measured, is important for members as it may affect the benefits you will receive. Scheme members have earned benefits, especially the right to receive a pension on retirement. The value required to provide all these earned benefits is known as the Scheme's liabilities.

Brush Electrical Machines Limited ('the Company') pays contributions so that the Scheme can build up a fund to pay the pensions and other benefits to members. The Scheme's assets consist of the cash, shares, bonds and other investments it owns.

To measure the Scheme's financial security the Trustee compares the value of the Scheme's liabilities and assets. If the value of assets is lower than the liabilities, the Scheme has a 'shortfall'. If the value of assets is more than the liabilities, the Scheme has a 'surplus'.

It is important that individual members are clear that they do not have their own individual pension funds within the Scheme. Instead, the Scheme, like all defined benefit schemes, is set up as one common fund. The Scheme's accumulated assets are invested by the Trustee and used to pay pensions and other benefits for all members and beneficiaries.

What figures are included in the summary funding statement?

Every three years, the Scheme Actuary assesses the progress of the Scheme's funding arrangements in a process called an 'actuarial valuation'. The Trustee is also provided with regular valuation updates from the Actuary that give an estimate of the amount of assets that is needed today to meet the expected benefit payments. These estimates allows for future investment returns. Using this information, the amount of contributions needed to keep the Scheme assets on track (to meet the objective to pay pensions and other benefits) can be determined and monitored.

The funding statement includes the results of the latest actuarial valuation, which was based on information about the Scheme at 31 December 2013. It also includes the results of the funding update carried out as at 31 December 2015 and an approximate funding update carried out as at 31 December 2016.

The next formal actuarial valuation of the Scheme will be carried out with an effective date of 31 December 2016 and is currently in progress.

Behind the numbers

An actuarial valuation looks at the funding position on an 'ongoing basis' and a 'discontinuance basis'. Figures based on both of these measures are included in the funding statement.

The **ongoing basis** looks at the Scheme's funding assuming that the Scheme continues into the future. The Scheme Actuary helps the Trustee to agree a funding target (called the 'technical provisions') for the Scheme. This target is the estimated amount that the Scheme will need to pay for members' benefits earned up to the valuation date.

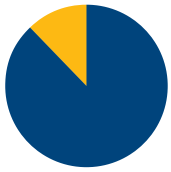
The plan to meet the funding target, through contributions from the Company and investment returns, assumes the Company will continue in business and be able to make the necessary contributions to the Scheme.

The **discontinuance basis** (also known as the solvency basis) looks at whether there would have been enough assets to buy insurance policies to provide members' benefits if the Scheme came to an end at the valuation date. (This basis is shown because it is required by law. It does not mean that the Company is actually thinking of discontinuing the Scheme.)

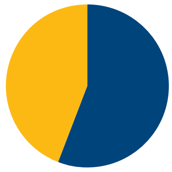
The cost of providing all the benefits through buying insurance policies is higher than the cost of paying them gradually over future years, as insurance companies use tougher financial assumptions, especially regarding the investment returns the assets will make. Even if a scheme is fully funded on the ongoing basis, the discontinuance figure will almost certainly be less than 100%.

Figures based on the 31 December 2013 valuation

Ongoing basis		
Scheme assets	**£167.0 million**	Funding level (Scheme assets divided by liabilities) 88%
Scheme liabilities (estimated amount required to meet the funding target)	**£190.0 million**	
Shortfall	**£23.0 million**	

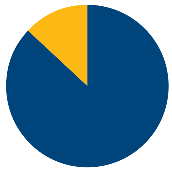


Discontinuance basis		
Scheme assets	**£167.0 million**	Funding level (Scheme assets divided by liabilities) 56%
Scheme liabilities (amount required to pay benefits through buying insurance policies)	**£296.9 million**	
Shortfall	**£129.9 million**	



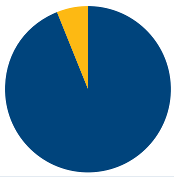
Figures based on the 31 December 2015 funding update

Ongoing basis		
Scheme assets	**£197.2 million**	Funding level (Scheme assets divided by liabilities) 87%
Scheme liabilities (estimated amount required to meet the funding target)	**£225.8 million**	
Shortfall	**£28.6 million**	



Figures based on the 31 December 2016 approximate funding update

Ongoing basis		
Scheme assets	**£253.6 million**	Funding level (Scheme assets divided by liabilities) 94%
Scheme liabilities (estimated amount required to meet the funding target)	**£269.2 million**	
Shortfall	**£15.6 million**	



The Scheme's funding level on the ongoing valuation basis has improved since the valuation. It has increased to 94%, primarily because of an increase in the value of the assets from positive investment performance. This has been partly offset by a fall in gilt yields and an increase in expected future inflation which has increased the value placed on the liabilities.

How much money is paid into the Scheme each year?

Following the 31 December 2013 valuation, the Trustee and the Company agreed a recovery plan that was designed to restore the funding level to 100% by 31 August 2017. The Company contributions agreed are £5 million a year from 1 January 2015 until 31 August 2017. Following negotiations between the Company and the Trustee, it was subsequently agreed that the remaining contributions under the Recovery Plan would be paid up front. As a result the Company paid £7.92 million into the Scheme on 8 February 2016.

The Trustee closely monitors the performance of the Company and receives updates on its performance at each quarterly Trustee meeting.

Is my pension guaranteed?

The Trustee's aim for the Scheme is to have enough money in the Scheme to pay pensions now and in the future. However, this plan relies on the employer carrying on in business and continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the employer will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the employer will need to put in more money.

What would happen if the Scheme started to wind up?

If the Scheme winds up because the employer becomes insolvent you may not receive the full amount of pension you have earned, even if the Scheme is fully funded against its target funding level. However, whilst the Scheme remains ongoing, even though funding may fall below target, pensions will continue to be paid in full.

Why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. When estimating the cost to provide benefits, insurers are required to take a very cautious view of the future, include a profit margin and make an allowance for their expenses. By contrast, the funding plan assumes that the Company will continue to financially support the Scheme and it includes less cautious assumptions about the future than those typically used by insurers.

Pension Protection Fund (PPF)

In the event of a wind up, it may be that the Company is unable to pay the full amount required by an insurance company to secure the liabilities. If the Company became insolvent, the Pension Protection Fund (PPF) may be able to take over the Scheme and pay compensation to members. The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent. It does not, however, guarantee to pay full benefits. Further information and guidance is available on the PPF website at: **www.pensionprotectionfund.org.uk**. Alternatively, you can write to the PPF at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Have there been any payments to the Company?

The Trustee is legally required to include details of any payments made to the Company in the funding statement.

The Scheme's assets are kept separate from the Company and are managed by the Trustee. There have been no payments to the Company from the Scheme in the last twelve months, except to reimburse the Company for Scheme expenses it has paid directly. The Trustee would not expect to make any other payments to the Company and there are rules restricting the circumstances in which this can happen.

Noticeboard

Website

Remember to visit the new Scheme website at **www.brushpensions.co.uk**

On the website, you can:

1. View copies of the Scheme booklets and other official Scheme documents
2. Download all the forms you might need
3. Find the answers to 'frequently asked questions'
4. Use the contact link to e-mail the Aon Hewitt Brush team
5. Follow links to other useful websites

Are your records up to date?

Please remember to let us know if there is a change to your contact details as it is important we are able to get in touch with you about your pension savings. You can update your personal details by contacting the Aon Hewitt Brush team (contact details are on the back page).

Similarly, if there is a change to your personal circumstances, for example if you marry, divorce, register or dissolve a civil partnership, or become a parent, consider updating your expression of wishes form.

Under the Scheme Rules, a lump sum is payable in the event that you die while you are a deferred member or in your first five years of retirement. The Trustee has the final decision over who receives this cash sum. This way, it should not become part of your estate and your beneficiary (or beneficiaries) should not have to pay inheritance tax on it.

The Trustee uses the expression of wishes form to help them decide who should receive any benefits that are payable if you die. For the reasons above, the Trustee is not bound by law to follow your wishes, but it will usually act on them unless there is good reason to do otherwise. The form also helps the Trustee to make a relatively quick decision at what would be a time of great distress for your family.

You may have already sent us a form, but please take the time to consider if it is still up to date. If you need to send us a new expression of wish form, please go to the 'Member forms' section of the Scheme website, where you can download a blank form. Your completed form should be returned to the Aon Hewitt Brush team. Their contact details are on the back page. Alternatively, if you cannot access the website, the Aon Hewitt Brush team will be happy to send you a form in the post.

If you are currently receiving a Scheme pension

You must let us know as soon as possible if there is a change to your bank or building society details. If you need to update your details, please contact the administrators at Aon Hewitt.

If you are changing your bank account, we ask that you do not close your old bank account until you have received confirmation from the Aon Hewitt Brush team of the date from which your pension payments will be sent to your new bank account.

The year in brief

Accounts summary

This table shows the key figures from the full audited Scheme accounts, which you can find in the latest annual report, dated 31 December 2015. You can download a copy of the full report from the Scheme website. Alternatively, copies are available from the Aon Hewitt Brush team – see the back page for their contact details.

	2015	2014
	£000	£000
What came in		
Additional Voluntary Contributions*	1	0
Company contributions	5,000	4,850
Income from investments	1	2
Individual transfers in	8	0
Group transfer in from the FKI Scheme**	0	1,236
Other income	1	0
Total income	**5,011**	**6,088**
What went out		
Pensions	1,123	559
Tax free cash sums to retiring members	2,388	1,966
Death benefits	142	4
Payments relating to leavers	2,750	889
Fees and expenses	582	654
Total outgoings	**6,985**	**4,072**
Fund value at the start of the year	199,754	168,396
Total income	5,011	6,088
Less total outgoings	(6,985)	(4,072)
Increase in value of investments	1,575	29,342
Fund value at the end of the year	**199,355**	**199,754**

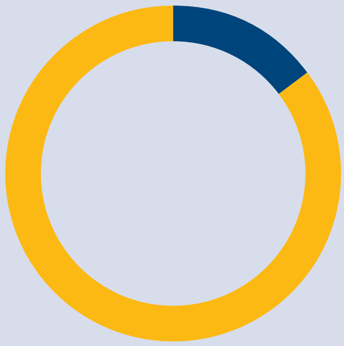
** A payment was made to a member's AVC fund by Aon Hewitt to rectify their investment position.*

*** The group transfer in 2014 represents £1,235,595 of AVCs transferred from the FKI Group Pension Scheme.*

The next annual report, dated 31 December 2016, is scheduled to be signed by the Trustee and published during spring 2017.

Member profile

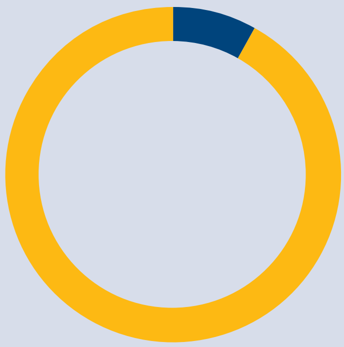
There were 1,578 members of the Scheme at 31 December 2015. The charts show the types of member making up that number.



31 December 2015

Pensioners: 236

Deferreds: 1,342



31 December 2014

Pensioners: 130

Deferreds: 1,473

Investment update

The Trustee has appointed a number of investment managers to carry out its chosen investment strategy and has delegated all day-to-day decisions on the Scheme's investments to these fund managers.

When making decisions on investment strategy, the Trustee Directors follow independent guidance in areas such as effective decision-making, setting objectives and measuring performance (the 'Myners Principles'). The Trustee Directors monitor their compliance with these Principles on an annual basis. Changes were made to the Scheme's strategy following the demerger and resultant change in the Scheme's liability profile. You can find the Trustee's statement of investment principles – the official document setting out its chosen investment strategy – on the Scheme website.

The Trustee – with the help of its investment adviser – reviews its chosen fund managers' performance and overall suitability on a quarterly basis. The Trustee also monitors each manager's voting and corporate governance activity. When choosing investments, the fund managers are required (by law) to take into account social, environmental and ethical considerations in making their investment choices.

The Trustee Directors meet each of the equity fund managers in person regularly.

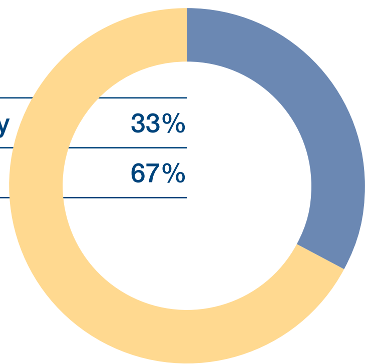
The Trustee has adopted a Liability Driven Investment ('LDI') strategy, managed by Legal & General. The objective of this is that the movement of the Scheme's assets closely matches the changes in liability values that result from changes to interest rates and inflation. This helps to stabilise the Scheme's funding position.

Alongside the LDI strategy a proportion of the Scheme's assets are invested in 'growth' or 'return-seeking' assets. The objective of these is to generate additional returns to improve the funding level of the Scheme over time. Diversifying these growth assets across asset classes – for example UK and global equities – reduces the volatility of these investments, further stabilising the Scheme's financial position. The Trustee has, following receipt of appropriate advice, decided to invest in three Diversified Growth funds with Newton Investment Management, Insight Investment and Invesco Perpetual. This change is currently being implemented.

Spreading the assets across different managers and global locations can remove some of the risk to the Scheme of one manager or regional market performing badly.

At the end of the year, the Scheme's investments were spread across the assets shown in this chart:

2015	
Unconstrained Equity	**33%**
Matching Assets	**67%**



The following table shows the performance of each 'return-seeking' fund over the 12 month and 3 year periods to 31 December 2015.

Manager	What they were investing in	Their performance over the period to 31 December 2015 (%)			
		Return over one year		Annual average return over three years	
		Fund	Benchmark	Fund	Benchmark
Invesco	**UK Equities**	**9.3**	**1.0**	**15.3**	**7.3**
Majedie	**UK Equities**	**-0.7**	**1.0**	**10.0**	**7.3**
Morgan Stanley	**Global Equities**	**5.8**	**-0.9**	**10.3**	**9.6**

Performance includes returns prior to the demerger and is shown gross of fees.

Pensions news

The UK referendum on European Union membership

The vote by the UK to leave the European Union is likely to have an impact on future economic activity, both in Britain and further afield, over the coming years and this might also affect the future investment returns on the Scheme's assets.

It is too early to assess with any certainty what impact the decision will have on investment markets and the extent to which Scheme members may be affected in the future. When there is uncertainty, it's reasonable to expect some volatility – that is, short-term ups and downs on some investments.

Immediately after the result we saw some big changes in the value of some shares and sterling, but this is not unusual. It's an example of how the markets react to different events around the world.

For your main Scheme benefits the Trustee is responsible for deciding how the assets are invested, factoring in ups and downs in the markets into their planning. A broad and robust investment strategy is in place that is designed to support the Scheme even when the financial markets are going through a difficult period. The Trustee will continue to work closely with their professional advisers to monitor the situation so that, as further details emerge, the Scheme is ready to respond. We will keep you informed in future newsletters or via the Brush website as details become clearer.

2016 Budget

The 2016 Budget did not feature much pension news, but there were a few announcements which may affect your retirement planning.

LISA

From April 2017, anyone under age 40 will be able to save up to £4,000 in a Lifetime Individual Savings Allowance (LISA) up to the age of 50. The Government will top this up with an additional 25% (of the amount saved) each year.

The money can then be accessed before the age of 60 to help towards buying a first home, or from age 60 for retirement. Savers will be able to withdraw the money for any other purpose at any time, but they will lose the Government bonus and face an additional tax charge.

Small pensions

The Chancellor announced plans to relax the rules around trivial commutation, with the limit for taking small pensions as a one-off cash sum set to increase to £30,000.

Financial guidance

The Government is also taking steps to make seeking financial guidance easier, with tax and National Insurance relief of up to £250 for financial advice offered by employers and a challenge to the industry to create a new online 'pensions dashboard' by 2019. The option to withdraw up to £500 from Defined Contribution (DC) pension savings tax-free to use towards financial advice is expected to be introduced from April 2017.

Tax thresholds

From April 2017, the tax-free personal allowance will increase to £11,500 and the higher rate income tax threshold will rise to £45,000.

Savings

There will be a new savings scheme for people on lower incomes, called Help to Save. The savings limit for ISAs will also increase to £20,000 from April 2017.

We will continue to keep you updated on important developments.

Pensions taxation

There have been changes to both the Lifetime Allowance (overall maximum amount of tax exempt savings that an individual can build up in all their pension arrangements in their lifetime) and the Annual Allowance (maximum amount of tax exempt pension savings that can be built up in one tax year). There has also been a change in the period over which annual pension savings are measured (known as the Pension Input Period).

The Lifetime Allowance reduced from £1.25 million to £1 million from 6 April 2016. If the Lifetime Allowance is exceeded, tax will be charged on any savings over the limit.

Anyone with pension benefits in excess of £1 million may apply to HMRC for 'Individual Protection 2016'. This means that the value of pension savings (up to a maximum of £1.25 million) could be retained as the member's personal Lifetime Allowance. Members who apply for Individual Protection 2016 can continue to contribute to a pension scheme. However any value of their pension savings above their personal Lifetime Allowance will be subject to a tax charge when they take their pension.

Members are also able to apply to HMRC for Fixed Protection 2016 and retain a personal limit of £1.25 million. There is no level of existing pension savings needed to be eligible to apply, but in nearly all cases such protection will be lost if there are further contributions made into a pension scheme after 5 April 2016.

Members may apply for both Fixed Protection 2016 and Individual Protection 2016. Fixed Protection will take precedence, but if this is lost then Individual Protection would still be available. Based on the announcements from HMRC to date, there is no deadline by which either, or both, of the new forms of Lifetime Allowance protection must be registered with HMRC to be effective. However, members who want to make use of these protections will have needed to have applied before they retire.

If a member's pension savings were in excess of £1.25 million on 5 April 2014, it is still possible to apply for Individual Protection 2014 until 5 April 2017.

These pension tax changes do not have any impact on the pension lump sum which continues to be payable in full without tax currently, except that for those with pension benefits exceeding the Lifetime Allowance where the upper limit would be 25% of the Lifetime Allowance.

For most people the Annual Allowance is £40,000 for the 2016/17 tax year. However, with effect from 6 April 2016, the Annual Allowance was changed to a tapered allowance which could be as low as £10,000. The changes will only affect those who have annual income over £110,000 (including income from investments, buy-to-let property and private businesses, but excluding any pension contributions). In addition, those who choose to 'draw down' from their pension benefits, will be automatically subject to a reduced Annual Allowance of £10,000.

As a consequence of the new taper provisions, the Pension Input Period over which a scheme's pension savings are measured changed so that it is aligned to tax years. To accommodate the changeover, the tax year 2015/16 was split into two periods, firstly 6 April 2015 to 8 July 2015 and then 9 July 2015 to 5 April 2016. There is transitional protection available for members who might otherwise be affected by the alignment.

Most employees will not be affected by these changes and will be able to continue saving as much as they can afford, as well as receive tax relief on the contributions they pay. However, if you think you may be affected, you may want to consider consulting an independent financial adviser.

Scottish Rate of Income Tax

If you currently live and work in Scotland, you may be affected by the Scottish Rate of Income Tax (SRIT). The introduction of the SRIT means the Scottish Parliament has the power to set a rate of income tax for Scotland, which may be different to the rest of the UK.

For 2016/17 the rates of income tax will not differ and HMRC has issued a new tax code to those they think should pay the Scottish rate of tax. If you are employed or get a pension, your tax code will start with a 'S'. This tells your employer or pension provider to deduct tax at the Scottish rate. If you have not received a new tax code and think you should have, you can find further details at **https://www.gov.uk/scottish-rate-income-tax/how-it-works**.

Depending on the rate that is set, this could mean that the amount you pay on any taxable income such as your wages and pension may change.

Single-Tier State Pension

The new single-tier pension came into effect from 6 April 2016 and affects those who reach State Pension Age on or after that date. If you reached State Pension Age before 6 April 2016 you are NOT affected and you will continue to receive your State Pension as before.

The single-tier State Pension replaced the basic State Pension and Additional State Pension. The new, single-tier State Pension for the 2016/2017 tax year will provide up to £155.65 per week (based on a single person's full entitlement, which is 35 years of National Insurance (NI) contributions or credits).

Under the new single-tier pension people who have been contracted out before 6 April 2016 will be treated as having built up less state pension rights than similar individuals who have not contracted out. This is because part of their 'state' pension has been delivered through their occupational pension arrangements. Those close to retirement are likely to receive a lower single-tier pension than someone who has not been contracted out.

However if you still have a number of years to go to retirement (i.e. you are still working and pay NI or you are receiving NI credits as you are unable to work), those who have been contracted out are likely to receive a similar or equivalent single-tier pension at State Pension Age to those who have not been contracted out.

Historically everyone was clear about what their State Pension Age was, men retired when they reached 65, women at 60. Then, following the Government's investigation into life expectancy projections, it calculated the burden on the Exchequer and saw that there was a need to gradually increase the State Pension Age. By 2020, both men and women's State Pension Age will be 66, gradually increasing to 67 between 2026 and 2028. It will then be reviewed every five years and linked to life expectancy.

A pension forecast

You can check your State Pension Age via the Government website **https://www.gov.uk/state-pension-age**. You can also request an estimate of the State Pension you'll get when you reach State Pension Age via **https://www.gov.uk/check-state-pension**. This forecast will provide you with an estimate of what you can expect in terms of your state pension based on what your NI record could be when you reach State Pension Age.

Please note neither the Trustee nor its advisers are able to provide advice or further information about State benefits.

Pension transfers

You have a legal right to transfer your pension benefits to another registered pension scheme if you so wish, and the Aon Hewitt Brush Team can provide a quotation on request. However, please consider two important points if you are considering transferring your benefits.

Pension scams

The increased flexibility for retirement options gives people more choices over how they take their pension benefits. However, it has also given fraudsters new opportunities.

Before April 2015, most pension fraud focused on:

- Pension liberation – access to pension benefits before the age of 55
- Investment scams – promises of guaranteed high returns, often by transferring to an overseas investment opportunity.

More recently, the industry has seen increasing reports of calls offering a free pension 'review' or 'advice'. The aim is often to gather information about your pension savings or to gain authority to transfer your savings, all of which could be part of a wider pension scam. Research shows that these scams are often targeted at 45–54 year olds. If someone contacts you claiming to be able to help you 'release' or 'free' your pensions savings before age 55, please be very careful. Early access to your pension savings may sound tempting, but usually you can't access pension savings before age 55 unless you are seriously ill. So make sure you check your facts before you make an irreversible decision. Many people have lost all their pensions savings to these scammers – and have had to pay a huge tax penalty as well. Find out more by visiting **www.pension-scams.com**.

The Pensions Regulator has renewed its publicity campaign on pension scams with 'Ten steps to protect your pension' and an updated information booklet. To find out more, go to **www.thepensionsregulator.gov.uk/pension-scams.aspx**.

If you'd like more information, report any suspicious offer you have received or want to report pension fraud, contact The Pensions Advisory Service, using the details on **www.pensionsadvisoryservice.org.uk** or Action Fraud on **0300 123 2040**.

Transferring your benefits overseas

If you transfer your Scheme benefits to an overseas pension scheme that is not recognised by HMRC as being a ‘qualifying’ scheme, then you face an additional tax charge. HMRC has made it the transferring scheme’s responsibility to check whether the overseas scheme is a ‘qualifying’ scheme, and so, if the Aon Hewitt Brush Team cannot adequately identify it as such, they have been instructed by the Trustee not to proceed with the transfer.

Remember your Scheme pension is very valuable so don’t rush into making any decisions. The right decision for you will depend on your personal circumstances and retirement needs, your future plans and appetite for future investment risks. Consider your choice carefully and make sure you take financial advice from a reputable adviser.

Taking independent advice

If you are thinking of making any changes to your pension arrangements, you should consider taking professional financial advice. The law does not allow the Trustee or your employer to advise you on what might be best for your situation.

If you are a deferred member and are considering a transfer to access the flexible retirement options for your main DB benefits, you will need to transfer out of the Scheme and into a suitable DC arrangement. We strongly recommend that you take independent financial advice before proceeding with a transfer out and if your transfer value is £30,000 or more, you are legally required to take independent financial advice from an authorised and impartial financial adviser before transferring out. You will therefore be asked to provide evidence of having taken advice before a transfer value in excess of £30,000 can proceed.

If you feel you require or would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). If you do not already use an IFA you can find an adviser in your area by searching the Money Advice Service directory at

https://directory.moneyadviceservice.org.uk/en.

The Money Advice Service website has a range of information, including where to look for financial advice and questions to ask potential advisers.

Website: **www.moneyadviceservice.org.uk**

Telephone: **0800 138 7777**

You generally have to pay for financial advice; so ask the adviser about their charges. Before you appoint anyone, you should also check that the adviser you are thinking of using is suitably qualified and authorised to advise you. You can check whether an adviser is registered with the Financial Conduct Authority (FCA) by looking on their website at **https://register.fca.org.uk** or by phoning the FCA helpline, **0800 111 6768**.

Thinking of retiring? Have you kept track of your savings?

If you’ve lost track of your pension from another pension scheme, use the Pension Tracing Service to track it down. Contact them on **0345 600 2537** or visit **www.gov.uk/find-lost-pension**

The service is free and has access to over 200,000 schemes in the UK.

Member-Nominated Directors (MNDs)

The board of Brush Scheme Trustees Limited, as Trustee of the Scheme, is responsible for all aspects of the running of the Scheme on behalf of everyone due benefits from it. Brush Scheme Trustees Limited is set up as a company with a number of directors appointed to the board.

The Trustee Board

Under the Pensions Act 2004 (supported by the subsequent code of practice issued by the Pensions Regulator in November 2006), trustees are required to make arrangements for at least one third of the board of a trustee company to be member-nominated.

The Scheme's Trustee board has agreed that the board will continue to be structured as follows:

- There will be three Member-Nominated Directors ('MNDs'), two independent Directors (one of whom will act as Chair) and two Company-appointed Directors.
- Deferred and pensioner members of the Scheme can be candidates to become a MND.
- Non-members can also be candidates provided the Company consents to such non-member standing as a candidate.

We confirm that Gary Peters's term of office expired on 31 March 2017 leaving a vacancy on the Trustee board of the Scheme. The Trustee board has agreed the following process for filling this vacancy.

- Gary Peters has confirmed his willingness to continue as a MND of the Scheme.
- If no other candidate is nominated, Gary will be deemed selected and will be appointed as a MND.
- If any other candidates are nominated in addition to Gary Peters, a selection panel (consisting of the two independent Trustee Directors and two member representatives from the Scheme) will meet to select and appoint the new MND.
- The MND's term will last until 31 March 2020.
- If a MND position becomes vacant more than a year before the end of the term of office, the Trustee will ask for new nominations. A selection committee (consisting of the remaining Trustee Directors) will consider the nominations and select a replacement.
- If there is less than a year to go until the term of office ends, the position will be left vacant until the end of the term.
- A MND can only be removed with the agreement of all Trustee Directors.
- A MND cannot be excluded from the exercise of any Trustee function only on the basis of being a MND.

The current Trustee Directors of the Scheme are:

Michael Duncombe	**Independent & Chair**
Garry Barnes	**Company-appointed**
Glendon Dallard	**Member-nominated**
Ben Hewitson	**Company-appointed**
Gary Peters	**Member-nominated**
Andrew Pidgeon	**Member-nominated**
Edward Rutter	**Independent**

Gary Peters has confirmed his intention to stand as a MND for this nomination process. If you, as a Scheme member, would be happy for Gary Peters to be re-appointed as a MND, then you need take no action further to this announcement. If, however, you are interested in finding out more about how to apply to become a MND, please read on for further details of how to apply.

The role of a Trustee Director

The role is a big responsibility and the work is both demanding and time-consuming. In recent years, legislation has significantly increased the requirements on all trustee directors to understand both their own scheme and to understand the principles on which all pension schemes operate. Training is provided to Trustee Directors of the Scheme, both as a body and by individual attendance at specialist courses. A Trustee Director must be prepared to undergo training both initially and on a regular basis thereafter.

The Pensions Regulator requires trustee directors to:

- have knowledge and understanding of the law relating to trusts and to pension schemes generally;
- have knowledge and understanding of the principles relating to the funding of occupational pension schemes and the investment of the scheme's assets; and
- be conversant with the documents that are particular to their own scheme so that they are able to make use of those documents in carrying out the functions of the Trustee.

Set out on the next few pages is information about the duties a trustee director has to carry out – it applies to all trustee directors, not just those of the Scheme.

A trustee director's duties

Obeying the law

The main duty for Directors is to make sure that their scheme is run properly in line with its legal documents (the 'Trust Deed and Rules') and pension law.

The duties that come from trust law are sometimes called 'fiduciary' duties. Directors must act:

- impartially, by considering the interests of all the groups due benefits and treating individuals fairly; and
- prudently, responsibly and honestly, by looking after the assets of their scheme as carefully as they would their own money.

Directors must also obey specific UK and European laws.

Directors need to get to know their powers and the procedures for running their scheme, as set out in its Trust Deed and Rules (which they are responsible for keeping up to date).

Managing the finances

Directors are responsible for the proper management of their scheme's finances. This includes:

- checking that they receive the correct amount of money and that they pay the correct benefits promptly;
- making sure that proper records are kept, showing what happens to their scheme's assets from year to year, and what benefits are due to members; and
- ensuring that the scheme's assets are held securely and kept separate from the Company's assets.

They also have to monitor the security of members' benefits. They work with the Company to ensure that the level of funding that supports the benefits satisfies pension law. They also keep members informed about the funding level.

Investing

Directors are responsible for investing the assets. Although they can take professional advice and delegate everyday dealing decisions to specialist investment managers, they must decide the overall investment strategy and policy for their scheme.

Using judgement

Directors have to make discretionary decisions in certain circumstances. 'Discretionary' means that the scheme rules do not set out exactly who will receive a benefit or, in some cases, how much it will be. Instead, the Directors must consider all the relevant information and make a decision that they believe is fair. An example is deciding who should receive a lump sum benefit after a member dies.

Choosing and meeting advisers

Professional advisers will help with key aspects of running the scheme, and the Directors are responsible for appointing them and monitoring the services they provide.

Directors need to attend regular meetings with the advisers and the other Directors. As well as the time spent preparing for the meetings, they must also attend training courses.

Keeping people informed

Directors have to keep members informed about their benefits and how their scheme is run. They must also make regular reports to the Pensions Regulator.

Independence

Directors must not represent the views or aims of any particular group or individual, such as the employer, a trade union or a particular group of members. And of course, they cannot take decisions for their own financial benefit.

Pay and expenses

A nominal fee is paid to MNDs with the exception of Brush employees. All reasonable expenses will also be reimbursed.

Finding out more

The Pensions Regulator publishes useful information and guidance for trustees. If you are interested in becoming a MND, you can find this information on its website at **www.thepensionsregulator.gov.uk**.

Nominations

If you wish to stand as a Member-Nominated Director, or require further information on the nomination process, you should contact Ian Emery, Brush Group (2013) Pension Scheme, Aon Hewitt, Colmore Gate, 2 Colmore Row, Birmingham B3 2QD (Telephone: **0121 262 5057**) by Friday 5 May 2017.

You will then receive an information pack and application form. The deadline for completed application forms is Friday 26 May 2017.

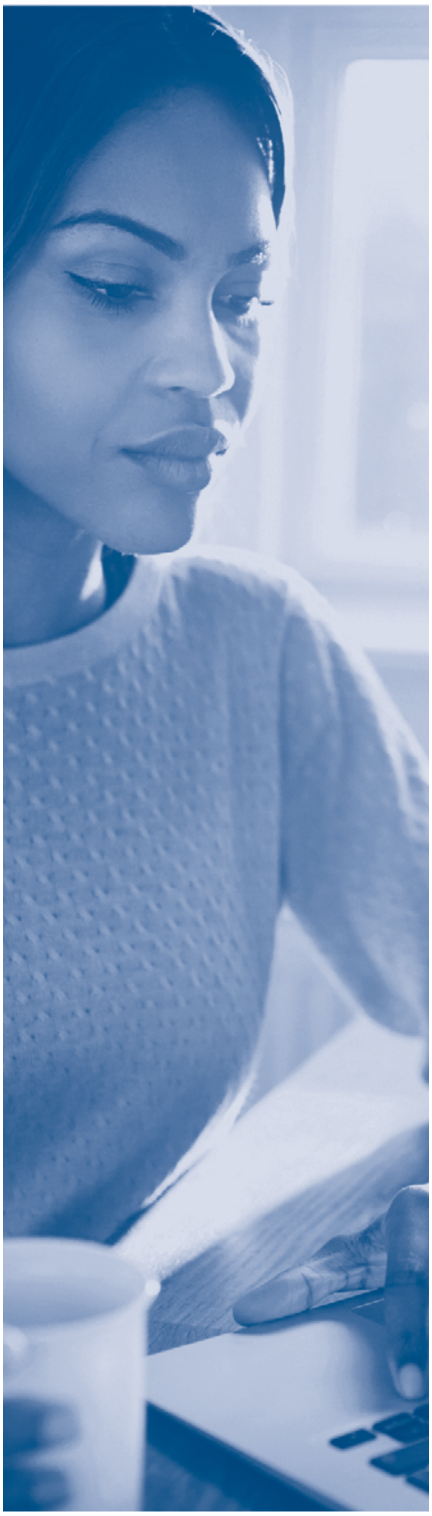
You must not be disqualified in law from acting as a trustee director (for example, if you are an undischarged bankrupt or have been disqualified from being a company director).

Selection of Member-Nominated Directors (MNDs)

If any applications in addition to Gary Peters are received, a selection panel will determine who will become the MND. Further details as regards the selection panel will be provided if more than one nomination is received.

The name of the successful candidate will be announced to members following the conclusion of the selection process via the Brush website.

Who’s who



The Trustee is responsible for running the Scheme in line with its Rules and current pensions law, while looking after the best interests of its members. The Trustee Directors have a broad understanding of pensions and investment issues. They appoint professional advisers to assist them in areas where specialist knowledge is needed.

The Trustee Directors and their advisers meet quarterly to monitor the Scheme’s compliance with legislation and its own Rules, and keep track of the Scheme’s investments and administration. In line with best practice, the Trustee Directors formally assess their own performance at regular intervals, and undertake training when required to fill any gaps in their knowledge.

The current Trustee Directors are:

Michael Duncombe	**Independent & Chair**
Garry Barnes	**Company-appointed**
Glen Dallard	**Member-nominated**
Ben Hewitson	**Company-appointed**
Gary Peters	**Member-nominated**
Andrew Pidgeon	**Member-nominated**
Edward Rutter	**Independent**

The Trustee’s advisers are as follows:

Actuary	**Alka Shah, Aon Hewitt Limited**
Administrator	**Aon Hewitt Limited**
Auditor	**Ernst & Young LLP**
Investment managers	**Invesco Fund Management Limited**
	Legal & General Assurance (Pensions Management) Limited
	Majedie Asset Management Limited
	Morgan Stanley Investment Management Limited
Legal adviser	**Squire Patton Boggs (UK) LLP**
Pensions manager / Secretary to the Trustee	**Ian Emery, Aon Hewitt Limited**

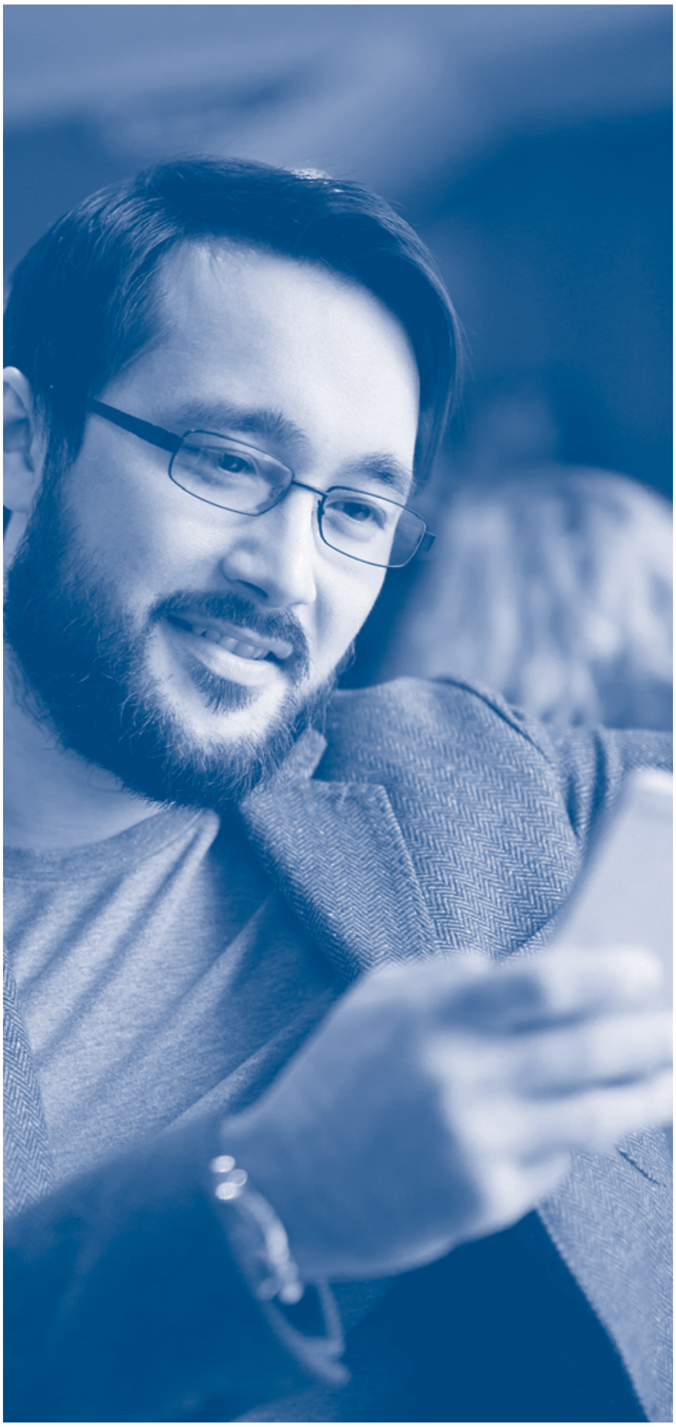
The Aon Hewitt Brush team

Here are the contact details for the Scheme's administrators at Aon Hewitt:

The Brush Group (2013) Pension Scheme
Aon Hewitt
PO Box 196
Huddersfield
HD8 1EG

Phone: 0345 268 8475

E-mail: brushpensions@aonhewitt.com



You can contact the team if:

- you have any questions about the contents of this newsletter or your benefits
- any of your personal details change or you need to update your expression of wish form
- you are a deferred member and would like to know the transfer value of your benefits or would like to request a retirement quotation.

You can also ask the team for copies of the following Scheme documents:

- Trust Deed and Rules
- Statement of investment principles, which explains how the Trustee invests the Scheme's assets
- Schedule of contributions, which shows how much money is being paid into the Scheme by the company
- Annual report and accounts, which shows the Scheme's assets and income and expenditure each year. The latest accounts available are for the year ended 31 December 2015.
- Latest actuarial valuation, as at 31 December 2013.

Alternatively, you can download these documents from the Scheme website – **www.brushpensions.co.uk**.

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