# Pension News

Brush Group (2013) Pension Scheme May 2018

# Welcome to the latest edition of Pension News

Welcome to the 2018 edition of your newsletter, in which we bring you the latest news from the Brush Group (2013) Pension Scheme and the wider pensions world.

The latest valuation of the Scheme assessing the financial position at 31 December 2016 has been finalised and this newsletter contains the latest summary funding statement for the Scheme. This provides the latest information about the Scheme's financial health and the arrangements that are in place to support your benefits.

As members may be aware there has been an announcement by Brush Electrical Machines Limited ('the Company') of its intention to restructure its generating manufacturing capacity at Loughborough as a result of declining demand. The Trustee Directors have been in discussion with the Company which has confirmed its commitment to providing ongoing financial support for the Scheme. The Trustee Directors are taking appropriate legal and actuarial advice and are currently awaiting the outcome of an assessment of the employer covenant. The Trustee will consider the assessment and make any changes to the funding plan that it feels are appropriate.

As long as the Company continues in business, there will be no change to your pension benefits and you will receive your benefits from the Scheme in the future. If your pension is currently in payment this will continue to be paid uninterrupted, and it will be paid on the same day each month as it is now. Any special terms that are in place will continue to apply.

This newsletter also invites nominations for a Member-nominated Trustee Director to join the board. The term of office for the current Member-nominated Trustee Director, Andrew Pidgeon, expired on 31 March 2018. 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.

We want to make this newsletter as useful and informative as possible, so if there are any items you would like to see covered in future issues, please do not hesitate to let us know. If you have questions about anything covered in this newsletter, please get in touch with the Aon 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 amount required to provide all these earned benefits is known as the Scheme's liabilities.

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 allow 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 2016.

The next formal actuarial valuation of the Scheme will be carried out with an effective date of 31 December 2019.

### Behind the numbers

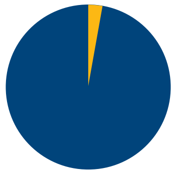
An actuarial valuation looks at the funding position on an 'ongoing basis' and a 'discontinuance basis'. Figures based on both of these measures are included in the funding statement.

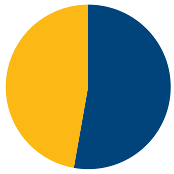
The **ongoing basis** looks at the Scheme's funding assuming that the Scheme continues into the future. The Scheme Actuary helps the Trustee to agree a funding target (called the 'technical provisions') for the Scheme. This target is the estimated amount that the Scheme will need to pay for members' 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 2016 valuation | | | |
|---|---|---|---|
| **Ongoing basis** | | | |
| Scheme assets | **£253.4 million** | Funding level (Scheme assets divided by liabilities) 99% |  |
| Scheme liabilities (estimated amount required to meet the funding target) | **£255.6 million** | | |
| Shortfall | **£2.2 million** | | |

| Discontinuance basis | | | |
|---|---|---|---|
| Scheme assets | **£253.4 million** | Funding level (Scheme assets divided by liabilities) 58% |  |
| Scheme liabilities (amount required to pay benefits through buying insurance policies) | **£437.5 million** | | |
| Shortfall | **£184.1 million** | | |

**The Scheme's funding level on the ongoing valuation basis has improved since the 31 December 2013 valuation. It has increased from 88% to 99%, primarily because of favourable asset performance and the contributions paid by the Company. This has been partly offset by worsening market conditions.**

## How much money is paid into the Scheme each year?

Following the 31 December 2016 valuation, the Trustee and the Company agreed a recovery plan that was designed to restore the funding level to 100% by 31 October 2017. To eliminate this shortfall, the Trustee and Company agreed that no deficit reduction contributions will be paid to the Scheme. This is because it is anticipated that the investment return over the period of the Recovery Plan will be more than sufficient to remove the shortfall.

The Trustee closely monitors the performance of the Company and receives updates on its performance at each 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 may 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 Company 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, while 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) might 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 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 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 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. However, if the Trustee isn’t able to make the payment within 2 years because they can’t establish who to pay it to, then tax could be charged.

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 Brush team. Their contact details are on the back page. Alternatively, if you cannot access the website, the Aon 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.

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 Brush team of the date from which your pension payments will be sent to your new bank account.

Please note that failure to respond to a request from the Trustee may lead to a suspension of your pension payments.

# 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 2016. You can download a copy of the full report from the Scheme website. Alternatively, copies are available from the Aon Brush team – see the back page for their contact details.

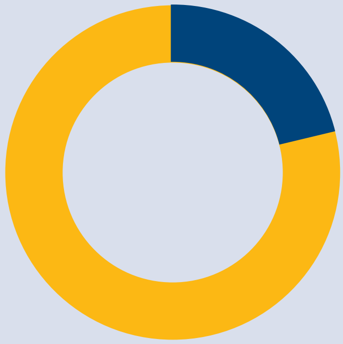
| | 2016 | 2015 |
|---|---|---|
| | £000 | £000 |
| **What came in** | | |
| Additional Voluntary contributions* | 0 | 1 |
| Company contributions | 8,333 | 5,000 |
| Income from investments | 2 | 1 |
| Individual transfers in* | 0 | 8 |
| Other income | 1 | 1 |
| **Total income** | **8,336** | **5,011** |
| **What went out** | | |
| Pensions | 1,841 | 1,123 |
| Tax-free cash sums to retiring members | 1,963 | 2,388 |
| Death benefits | 37 | 142 |
| Payments relating to leavers | 5,606 | 2,750 |
| Fees and expenses | 851 | 582 |
| **Total outgoings** | **10,298** | **6,985** |
| **Fund value at the start of the year** | **199,355** | **199,754** |
| Total income | 8,336 | 5,011 |
| Less total outgoings | (10,298) | (6,985) |
| Increase in value of investments | 57,781 | 1,575 |
| **Fund value at the end of the year** | **255,174** | **199,355** |

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

The next annual report, dated 31 December 2017, is scheduled to be signed by the Trustee and published during spring 2018.

## Member profile

**There were 1,543 members of the Scheme at 31 December 2016. The charts show the types of member making up that number (and how this has changed since 31 December 2015).**

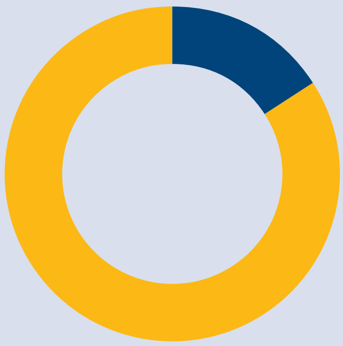


**31 December 2016**

**Pensioners:** 303

**Deferreds:** 1,240

**31 December 2015**



**Pensioners:** 236

**Deferreds:** 1,342

# 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.

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 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, following receipt of appropriate advice, decided to reduce the amount of LDI assets ('matching assets') and invest in three Diversified Growth funds with Newton Investment Management, Insight Investment and Invesco Perpetual. These changes were implemented during 2017.

Following advice from their advisers and recent poor performance from Invesco, during 2017 the Trustee decided to move all the UK Equity assets from Invesco and invest the monies into a passive Legal and General All-World Equity Fund and increase their current investment in the Morgan Stanley global franchise fund.

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.

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

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

**2016**

| | | |
|---|---|---|
| | **Unconstrained Equity** | **30.7%** |
| | **Matching Assets** | **69.3%** |

The following table shows the performance of each 'return-seeking' fund over the 12 month and 3 year periods to 31 December 2016.

| Manager | What they were investing in | Their performance over the period to 31 December 2016 (%) | | | |
|---|---|---|---|---|---|
| | | Return over one year | | Annual average return over three years | |
| | | Fund | Benchmark | Fund | Benchmark |
| **Invesco** | **UK Equities** | **3.0** | **16.8** | **7.4** | **6.1** |
| **Majedie** | **UK Equities** | **23.0** | **16.8** | **8.1** | **6.1** |
| **Morgan Stanley** | **Global Equities** | **3.9** | **7.5** | **5.1** | **3.8** |

**Performance is shown net of fees.**

## Additional Voluntary Contributions (AVCs) - review your investment choices and fund selections

A number of members chose to pay AVCs to increase their overall level of benefits from the Scheme. AVC benefits are calculated in a different way to the main Scheme benefits, they are 'defined contribution' (not final salary) which means the amount of AVC benefit depends on the amount of AVCs paid in and the investment returns achieved on those AVCs.

Your choice of investment funds for your AVC account may have a significant impact on the size of the account available to you at retirement. The Trustee would like to remind you that it is important to review your investments at least once a year to make sure they're in line with your retirement plans and are still suitable for you.

Remember that the value of all investments can go down as well as up, so consider what's right for you.

- Low-risk funds are less likely to experience big spikes or drops in value, but might mean that your money does not grow as much over the long term.
- Higher-risk funds could help your money grow faster, but their value could also drop sharply in the short term.

Please note that neither the Scheme's Trustee nor the administrators are able to advise you on the best investment choices for you. See the 'Taking Advice' item on page 11 of this newsletter for details of where you can obtain advice if you require it.

If you require further information on your AVC holdings please refer to the Brush website or contact the administrators at Aon.

# Pensions news

## Same survivor pensions in all marriages and civil partnerships

Following a landmark ruling, pension schemes must not treat the survivor of a same-sex marriage or civil partnership differently from the survivor of a heterosexual marriage. Pensions for survivors of civil partnerships and same-sex marriages must now be the same as for an opposite-sex spouse. The Supreme Court has ruled that a pension can no longer be restricted so that it is based only on the deceased's service from 5 December 2005 (the date civil partnerships were brought into UK law).

UK equality legislation expressly allowed this limitation but the Supreme Court has now declared that it is incompatible with the EU Directive on equal treatment in employment.

To ensure compliance with current legal requirements the Trustee has amended the Scheme rules to remove this limitation. A thorough investigation is being carried out to establish whether the Scheme has paid, or is paying, any restricted pensions. However, if you think you would be eligible for a spouse's pension under this new ruling, or had a claim rejected in the past because a member had no pensionable service on or after 5 December 2005, please contact the administrator, Aon, using the contact details on page 16. You will need to provide details of the deceased Scheme member and an outline of your claim.

## Brexit update

The outcome of 2016's European Union (EU) referendum, and plans for withdrawal from the EU, continues to feature heavily in the news. The government triggered Article 50 on 29 March 2017 and the UK is expected to withdraw from the EU by 29 March 2019.

The terms of withdrawal are still unknown, so it is too early to fully assess the impact on UK pension schemes. The situation may become clearer over the two-year withdrawal process, so we will keep you updated.

We expect to be a member of the EU until at least March 2019 and existing pension laws which affect the Scheme remain in place, whether they are based on EU legislation or not.

Once the UK has exited from the EU, the UK government may have the freedom to gradually amend legislation which has been influenced by Europe. However, a significant amount of EU pension-related legislation is written into UK law already, so there would need to be both a good reason and an appetite to amend this legislation, as changes would cost time and money.

## Budget summary

The 2017 Budgets did not feature any significant change for pensions. However, you should be aware of a few developments.

### Transfers to Recognised Overseas Pension Schemes (ROPS)

Transfers to ROPS requested on or after 9 March 2017 will be taxed at 25% unless, at the point of transfer:

- the individual and the pension savings are in the same country; or
- both are within the European Economic Area; or
- the ROPS is provided by the individual's employer.

### Basic State Pension

The Basic State Pension increased by 3% in April 2018, in line with the triple lock.

### Lifetime Allowance

The Lifetime Allowance increased by 3% to £1,030,000 on 6 April 2018.

## Pension transfers

You have a legal right to transfer your pension benefits to another registered pension scheme if you so wish, and the Aon Brush Team can provide a quotation on request.

Please note that you **do not** have the legal right to transfer your pension benefits after your normal retirement date (NRD) or within a year of your NRD.

If you are thinking about a transfer out, please speak to an independent financial adviser (IFA) who is registered with the Financial Conduct Authority. Find a list of IFAs in your area at **unbiased.co.uk**.

## Protect yourself from pension fraud

Scammers stole nearly £5 million from private pensions in the first half of 2017 alone. Once a pension transfer has gone through, it's too late. You could lose all of your pension savings and face a large tax bill, so it's important to know what to look out for.

Typical warning signs can include:

- promises that you can cash in your pension before age 55
- cold calls
- offers of free pension reviews and health checks
- PO Box only addresses or serviced offices
- mobile phones as contact numbers
- talk of pension loans or upfront cash
- 'deals' such as overseas investments, guaranteed returns, or limited offers.

Anyone claiming you can take your pension before age 55 is likely to be a scammer. Currently, you can only access pension benefits before age 55 if you suffer serious ill health.

Find out more by visiting **www.pension-scams.com**.

The Pensions Regulator has released an updated guide, 'Thinking of doing something with your pension pot?' which you can download from their website: **www.pensionsregulator.gov.uk**.

If you are tempted by any pension offer, especially if it is unsolicited, we would urge you to research it thoroughly and preferably discuss it with a reputable independent financial adviser before making any decisions.

If you have already accepted an offer or wish to report a potential scam please contact **Action Fraud on 0300 123 2040**

# A recap on flexible retirement options

As a reminder, in 2015 the Government introduced more flexible options for taking DC pension savings. Here is a summary.

- Buy an annuity. This option was previously available but new types of annuity are being developed. You can take up to 25% of your savings as a tax-free cash sum and buy an annuity with the remainder.
- Take all DC benefits as a single cash sum. The first 25% would be tax-free and the remainder taxed at your marginal rate for the year.
- Take a series of cash sums. The first 25% of each would be tax-free and the rest taxed at your marginal rate in each year.
- Use income drawdown, where you invest your pension savings and take an income of your choice as and when you want to. As with the cash-only options above, you can take up to 25% of your total savings as a tax-free cash sum, or up to the first 25% of each drawdown payment you take.

If you want 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 the value of your Scheme benefits is £30,000 or more, you are legally required to take independent financial advice before transferring out.

## 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**.

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. You can do this online at **https://register.fca.org.uk** or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

## New rules on protecting personal data

As Trustee Directors, we hold personal details about you that are essential for running the Scheme.

From 25 May 2018 new EU regulation, the General Data Protection Regulation ('GDPR'), replaces the Data Protection Act. The aims of this new regulation are:

- to give people more say in how their personal information is used; and
- to improve security by standardising the way organisations throughout the EU store and use personal information.

While the UK is currently negotiating to leave the EU, it will still be a member when the GDPR comes into effect, so UK organisations will have to comply.

Please refer to the enclosed Privacy Notice which sets out how the Trustee obtains, uses and protects any personal information that you provide to us, or that is otherwise obtained or generated by us, and which relates to you or to any individual connected with you.

*All information in relation to taxation, National Insurance and the State pension scheme has been provided in good faith as at the date of publication of this newsletter, but no representations are given as to its accuracy. It is recommended that you check any information before relying on it.*

*Please note that this newsletter does not confer rights to benefits. Rights to benefits are conferred only by the Trust Deed and Rules of the Scheme, as from time to time amended.*

# 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 Andrew Pidgeon's term of office expired on 31 March 2018 leaving a vacancy on the Trustee board of the Scheme. The Trustee board has agreed the following process for filling this vacancy.

- Andrew Pidgeon has confirmed his willingness to continue as a MND of the Scheme. If no other candidate is nominated, Andrew will be deemed selected and will be appointed as a MND.
- If any other candidates are nominated in addition to Andrew Pidgeon, a selection panel (likely to consist 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 2021.
- 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.

Andrew Pidgeon has confirmed his intention to stand as a MND for this nomination process. If you, as a Scheme member, would be happy for Andrew Pidgeon 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, Colmore Gate, 2 Colmore Row, Birmingham B3 2QD (Telephone: 0121 262 5057) by **Friday 22 June 2018**.

You will then receive an information pack and application form. The deadline for completed application forms is **Friday 6 July 2018**.

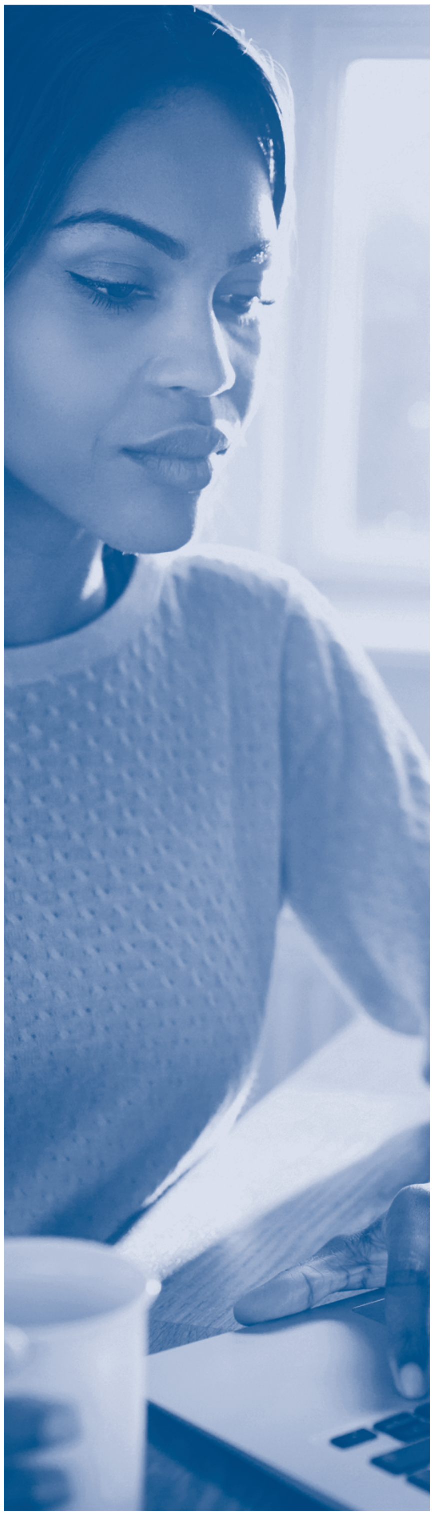
You must not be disqualified in law from acting as a trustee director (for example, if you are an undischarged bankrupt or have been disqualified from being a company director).

### Selection of Member-Nominated Directors (MNDs)

If any applications in addition to Andrew Pidgeon 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 (Chairman)** |
| **Garry Barnes** | **Company-nominated** |
| **Glen Dallard** | **Member-nominated** |
| **Ben Hewitson** | **Company-nominated** |
| **Gary Peters** | **Member-nominated** |
| **Andrew Pidgeon** | **Member-nominated** |
| **Ted Rutter** | **Independent** |

The Trustee's advisers are as follows:

| | |
|---|---|
| Actuary | **Alka Shah, Aon** |
| Administrator | **Aon** |
| Auditor | **Ernst & Young LLP** |
| Investment managers | **Invesco Fund Management Limited** |
| | **Legal & General Investment 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** |

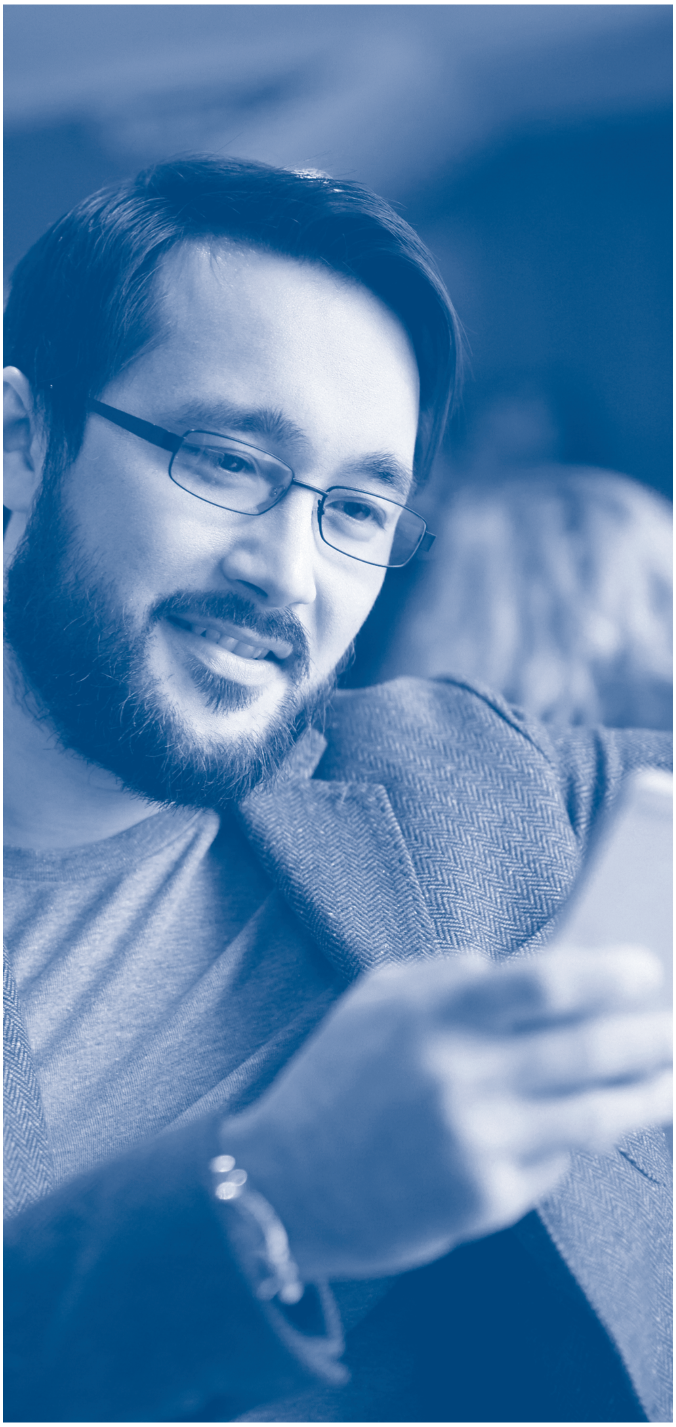
# The Aon Brush team

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

**The Brush Group (2013) Pension Scheme**
**Aon**
**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 2016.
- Latest actuarial valuation, as at 31 December 2016.

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

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