Pensions Newsletter

Welcome to the latest edition of the annual Pension Plan Newsletter ("the Newsletter") from the Trustees of the Fuller, Smith & Turner Pension Plan ("the Plan"). The Trustees hope that you find this a helpful and informative summary of the year.

During the year the Trustees held quarterly meetings with the Plan advisors to discuss, amongst other things, the funding position of the Plan. The Trustees, with the help of the Plan Actuary, undertook a full actuarial valuation as at 30 July 2016. The Newsletter includes the Summary Funding Statement which provides an update on the funding position of the Plan as at 30 July 2016.

With the help of the appointed investment adviser, the Trustees also continually monitor the investment performance of the Plan. The Newsletter provides details of the Plan's investment performance over the year to 30 July 2016 and a value of the Plan's investments as at 30 July 2016 and 31 December 2016.

The Newsletter also provides a summary of the formal Trustees' Report and Accounts for the year ended 30 July 2016. A copy of the full Trustees' Report and Accounts and other Plan documents are available from the Company Secretariat at Fuller, Smith & Turner P.L.C, Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB. Alternatively, you can call: 0208 996 2115 or email company.secretariat@fullers.co.uk.

As always, if there is something you feel would be useful to include in future editions of the Newsletter please feel free to contact the Company Secretariat at the address noted above.

Finally I would like to thank my fellow Trustees for all their hard work over another busy year.

David Van Ristell
Chairman

Update on the Actuarial Valuation as at 30 July 2016

An Actuarial Valuation for the Plan is undertaken by the Plan Actuary, a qualified professional who is independent from the Plan and the Company, usually every three years. The latest Actuarial Valuation was undertaken by the Plan Actuary at 30 July 2016.

The Actuarial Valuation is important as it takes a 'snapshot' of the Plan's funding position as at 30 July 2016.

If the assets are greater than the liabilities, the Plan is in surplus. If the liabilities are greater than the assets, the Plan is in deficit. Few Defined Benefit pension schemes, like the Plan, are in surplus these days as a result of the poor stock market performance over recent years and the current economic downturn.

The Actuarial Valuation is carried out on both an ongoing basis, which assumes that the Plan will carry on as it is now, and a discontinuance basis, which assumes that the Plan is discontinued at the valuation date. The valuation results can only be an estimate, based on what the Trustees and Company, on the advice of the Plan Actuary, agree is going to happen in the future (known as assumptions). The Trustees use assumptions specific to the Plan, such as life expectancy of Plan members and investment returns expected on the Plan's investments.

The Actuarial Valuation can take some time to complete, due to the lengthy calculations, and the detailed discussions and negotiations involved between the Trustees and the Company, to agree what contributions are required by the Company to meet the cost of members' benefits in the future.

We are pleased to advise Plan members that the latest Actuarial Valuation as at 30 July 2016 has now been completed. For further details please take time to read the Summary Funding Statement below.

Summary Funding Statement

Each year the Trustees of the Plan issue a Summary Funding Statement to update you on the financial position of the Plan. Rather than communicating this information separately, details of this Statement are included in the Newsletter.

This Summary Funding Statement gives you an update on the funding position from the most recent valuation undertaken by the Plan Actuary as at 30 July 2016 and the funding plan agreed between the Company and Trustees.

The latest actuarial valuation

The following summarises the accrued funding position as at 30 July 2016, assuming that the Plan continues to operate as a going concern and is not wound up. Comparative figures from the previous full actuarial valuation at 30 July 2013 and the previous annual updates have also been provided.

	30 July 2016 £millions	30 July 2015 £millions	30 July 2014 £millions	30 July 2013 £millions
Value of Plan assets	105.8*	100.3	95.4	91.6
Value of accrued liabilities	145.3	135.9	119.4	112.4
Shortfall	(39.5)	(35.6)	(24.0)	(20.8)
Funding level	73%	74%	80%	81%

*The Plan asset figure includes insured pensions and excludes AVCs.

The value of accrued liabilities (the 'technical provisions') represented the Trustees' estimate of the sum required at the date of valuation to meet all future benefit payments in respect of members' service to the date of valuation.

Change in funding position since the previous Summary Funding Statement

The previous Summary Funding Statement showed that the deficit of £20,800,000 as at 30 July 2013 had deteriorated to an estimated deficit of £35,600,000 as at 30 July 2015. The main reason for this deterioration was the fall in gilt yields, which served to increase the value of the liabilities. Since then, gilt yields have fallen further and the deficit has increased to £39,500,000 as at 30 July 2016. The negative impact of falling gilt yields on the Plan's funding position has been partially offset by Employer contributions paid in line with the Plan's Recovery Plan, a fall in future inflation expectations and actual inflation over the last three years being lower than expected. There have also been higher than expected returns on the Plan's invested assets over the three years to 30 July 2016.

Funding the Plan

The Plan closed to future accrual on 1 January 2015. Therefore, contributions in respect of future service benefits were only payable until 31 December 2014.

To help meet the funding shortfall as at 30 July 2016, the Trustees and the Company have agreed that contributions will be paid to the Plan at a rate of £2.0 million per annum, payable in equal monthly instalments commencing from 1 January 2017. The amount of the monthly contributions will be adjusted each 1 January by the change in the Consumer Price Index (CPI) over the twelve months to the previous 30 September. For the avoidance of doubt, the contribution will not be adjusted if the change in CPI is negative. The first adjustment will take effect from 1 January 2018.

The funding shortfall is expected to be eliminated by 30 April 2032, by a combination of contributions being paid into the Plan by the Company and returns on the Plan's invested assets.

The Pensions Regulator

In certain circumstances The Pensions Regulator can direct how the Plan's technical provisions must be calculated, can set the period for eliminating any funding shortfall, can specify the level of employer contributions to be paid - rather than leaving these issues to be determined by the Trustees – and has the power to modify the Plan's future accrual of benefits.

No such circumstances have arisen.

Winding up

As required by legislation, as part of the formal valuation of the Plan, the Plan Actuary assessed the funding position if the Plan had been wound up as at 30 July 2016.

The following summarises the position at that date, assuming that the Plan had wound up:

Value of Plan assets	£106,800,000*
Value of winding up liabilities	£233,300,000
Shortfall	£126,500,000
Solvency level	46%

*The Plan asset figure includes insured pensions and excludes AVCs. The insured pensions are valued on a buy-out basis.

The shortfall is an estimate of the additional sum that would have been required from the Company to ensure that all members' benefits could have been paid in full had the Plan wound up on 30 July 2016.

Providing 'winding up' information is a formal legal requirement and does not imply that the Company was considering winding-up the Plan.

Payments to the Company

There has not been any payment to the Company out of Plan funds since the date of the last Summary Funding Statement.

The next full actuarial valuation

The next full actuarial valuation will take place as at 30 July 2019.

Plan Developments

Investment Market Update

Market Update for the year to 30 July 2016

Global equities delivered positive returns across Q4 of 2015 with Japan especially strong. Whilst weak, emerging markets also climbed over the final quarter, supported by additional Chinese support to its economy.

In Q1 2016, global equities declined early in the quarter, only to rebound in the second half of the period, ending the quarter slightly ahead. US equities gained whilst the Eurozone struggled. UK equities ended the quarter slightly down. Emerging markets outperformed significantly, with China stabilising and Brazil leading the way.

Global growth concerns waned in the second part of Q1 due to decisive stimulus measures from the main central banks and the actions of the Federal Reserve, which reduced the number of projected interest rates hikes in 2016 from four to two.

Over the second quarter of 2016, most major asset classes delivered positive returns.

Brexit Update

Following the EU referendum, and the decision for the UK to leave the EU, the news has been dominated by the increasing uncertainty in investment markets. The media continues to speculate on the longer-term relationship between the UK and the EU, and the changing landscape for UK politics. It is expected that market volatility will continue in the near future as markets continue to digest the consequences of Brexit.

As an investor in financial markets, the Plan is, of course, not immune from this. It is important to remember that the Trustees are investing to pay pensions in 20, 30, 40 more years' time and are therefore more concerned with long term trends than short term fluctuations.

The Plan holds a globally diversified portfolio of assets to help limit the exposure to any one event and it also invests in defensive assets to reduce the impact arising from these types of events and has the continued support of the Company.

The Trustees want to reassure members that pensioners will continue to receive their pension payments as normal. There will also be no interruption to the administration services available to our members for the Plan.

The Trustees are gathering regular investment updates from the Plan's investment managers and will continue to monitor developments closely with their investment consultants and the Company.

Managing the Plan's Investment

The Trustees decide the investment policy after consultation with its Investment Consultant, Bill Horwood of Allenbridge. The day-to-day management of the investments of the Plan was delegated to Schroder Investment Management Limited, Legal & General Investment Management Limited, Blackrock Investment Management (UK) Limited, Royal London Asset Management, Barings Asset Management, Majedie Asset Management and Aviva Investors UK Fund Services Limited.

During the Plan year, the Trustees disinvested £15,000,000 from the Barings Absolute Return Fund. £14,000,000 was invested in the Aviva Investors Multi-Strategy Target Return Fund and £1,000,000 was invested in the Trustees' bank account to cover future benefit payments.

Immediately after the Plan year, the Trustees sold their entire holding in the Schroder UK Real Estate Fund and raised £750,000 from the UK Prime UK Equity Fund to meet anticipated future benefit payments.

Investment Manager Performance

Details of the Plan's main fund investment performance to 30 July 2016 are provided in the table below, together with the value of the Plan's investments as at 31 December 2016.

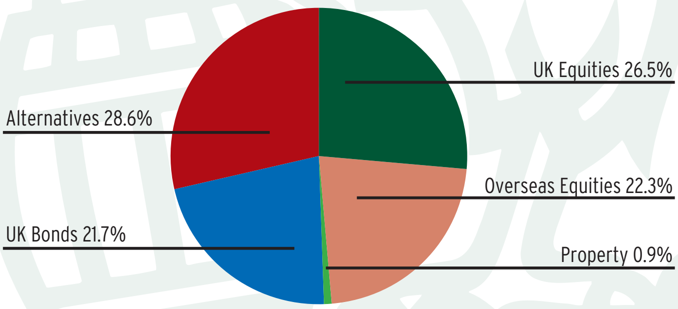
Manager	Value as at 30/07/16	Annual Return to 30/07/16	Benchmark Return to 30/07/16	Value as at 31/12/16
Schroder Prime UK Equity Fund	£10,704,050	-0.7%	2.2%	£10,879,516
Blackrock UK Equity Fund	£15,702,235	3.5%	2.2%	£12,294,770
L&G Overseas Equity Consensus Fund	£14,252,178	12.1%	12.2%	£13,603,589
RLPPC UK Long Corporate Bond Fund	£22,157,795	14.5%	15.4%	£21,345,254
Majedie Global Equity *	£8,551,577	11.6%	13.3%	£9,524,570
Majedie Tortoise	£2,752,144	9.2%	5%	£9,959,781
Barings	£12,650,337	-1.0%	4.6%	£12,890,389
SEPUT - Property	£933,616	9.1%	7.2%	£0
Aviva*	£13,793,254	N/A	N/A	£14,111,030
Cash Deposits	£680,097	N/A	N/A	£0
Total	**£102,177, 283****	**4.1%**	**7.6%**	**£104,608,899****

*Please note there is no annual return shown as the Plan only invested in the Majedie Global Equity Fund during Q2 2016.

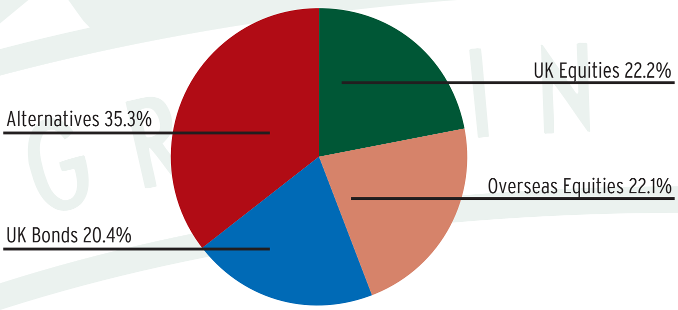
**This includes the Plan's pooled investments and excludes insured pensions and Additional Voluntary Contributions (AVCs).

The charts below show how the assets of the Plan are split between asset classes as at 30 July 2016 and 31 December 2016.

Asset Allocation of the Plan as at 30 July 2016



Asset Allocation of the Plan as at 31 December 2016



Pension News Update

Pensions Flexibilities

As you may be aware, the Government introduced greater pensions freedoms with effect from April 2015. This is aimed primarily at people with Defined Contribution (DC) benefits who can now choose between buying an annuity, accessing income drawdown, taking cash or any combination of these.

The Plan is a Defined Benefit pension scheme so these new DC flexibilities do not apply. However, if you are a deferred member and interested in accessing the full range of retirement options available to DC members, you could transfer out of the Plan before you retire. You would first need to request a transfer value and if the value is over £30,000 you must take independent financial advice to work out and understand your flexible retirement options before transferring out. Otherwise, you will receive an information pack in the run-up to your retirement. This will confirm your options for taking your Plan pension. If you are considering a transfer out of the Plan, please read the section 'Pension Scams' below.

Pension Scams

Since the introduction of the new pension flexibilities for savings, it has been reported that pension scams have been on the rise. Scammers are approaching pension savers like you, promising one-off investments, pension loans or upfront cash in exchange for your pension. Whilst these offers may sound tempting, they typically involve high tax charges and penalties, and you risk losing a significant amount of your pension savings. Look out for cold calls, texts or emails that you were not expecting and thoroughly investigate any product that might be recommended to you.

Given the risks, if you request a transfer value, the Trustees have asked Xafinity (the Scheme administrators) to discuss your decision with you and ask some specific questions before a transfer is paid to help protect you from being subject to a pension scam. The Trustees recommend that you check the facts before you make a rushed irreversible decision. A lifetime's savings can be lost in a moment.

Please take time to read the Pension Scam Booklet 'Scammed out of his retirement', which you can find by visiting www.thepensionsregulator.gov.uk/pension-scams and clicking on 'Individuals'.

Changes To The Money Purchase Annual Allowance

In the spring 2017 budget, the Government announced some changes to the Money Purchase Annual Allowance (MPAA) which relates to DC pension benefits. The Plan is a Defined Benefit arrangement so this change does not affect your Plan benefits.

However, if you have taken flexible benefits which include income, such as an 'Uncrystallised Funds Pension Lump Sum (UFPLS)' or flexible drawdown with income, and you want to continue paying contributions to a DC pension scheme, you will have a reduced annual allowance of £10,000 towards your DC benefits. The reduced allowance will apply if you have withdrawn more than the 25% tax free pension commencement lump sum (PCLS). The reduced amount is known as the 'money purchase annual allowance' or MPAA, and includes both your own contribution and any other contribution paid on your behalf, such as an employer or a third party. You cannot bring forward any unused annual allowances from the previous three tax years, to warrant a higher contribution of £10,000 towards your DC benefits.

From 6 April 2017 the government has announced that the MPAA will reduce from £10,000 to £4,000.

Early Retirement

Deferred members of the Plan who have reached age 55 may, with the consent of the Company and/or Trustees, may take early retirement from the Plan. On early retirement, a deferred member will receive the pension they have built up in the Plan but reduced by an early retirement factor based on the member's age to take account of the fact that the pension will be payable for longer. Please note that this actuarial reduction is subject to periodic review by the Company and Trustees.

The Trustees strongly recommend that members seek professional advice from an Independent Financial Advisor if they are considering early retirement.

If you have any queries regarding this matter, please contact the Company Secretariat at the address provided earlier.

Financial Advice

If you would like advice on your retirement options, you will need to talk to an independent financial adviser (IFA). You can find an IFA in your area by searching the Money Advice Service directory at https://directory.moneyadviceservice.org.uk/en.

Before you appoint anyone, check that the adviser is suitably qualified and authorised. You can do this online at www.fsa.gov.uk/register/home.do or by phoning the Financial Conduct Authority helpline, 0800 111 6768. Please remember that most IFAs charge for their advice.

Nomination Form Reminder

In order that the Trustees can take account of your wishes when distributing a Death lump sum, you must make sure that your Nomination Form is up to date and reflects your current circumstances. If you are unsure as to whether this is the case the Trustees recommend that you complete a new form.

Forms can be obtained from the Company Secretariat at the address shown earlier. These forms are confidential and kept by the Scheme Administrators, Xafinity.

How the Plan Works

Following the merger of the George Gale & Company Limited Staff Pension and Assurance Scheme and the Fuller, Smith & Turner Director's Plan on 23 March 2007, the Plan is split into three sections. The three sections are the Main Section, Gales Section and Directors' Section.

The Company decides the design of the Plan, and the Trustees then administer the Plan and safeguard the Plan assets. They have a duty to act in accordance with the Trust Deed and Rules and in the best interests of all beneficiaries.

Some of these responsibilities are carried out on behalf of the Trustees. The Trustees and their advisers are shown in the table below:

Scheme Membership

	Deferred Members	Pensioner Members
Main Section	464	247
Directors' Section	0	13
Gales Section	66	75
Totals	**530**	**335**

New Contact Details

We would like to inform you of a change of contact details for the Plan's administration team. From 1 February 2017, the administration team has moved from Xafinity's office in Reading to their Belfast office.

This decision was taken by the Company and the Trustees to ensure the very best service continues to be provided to all members of the Plan.

Should you have any queries or wish to speak to a member of the Plan administration team, please contact them using the details below:

Alison Wilson
The Fuller, Smith and Turner Pension Plan
Xafinity
7th Floor
Montgomery House
29-31 Montgomery Street
Belfast
BT1 4NX

Email: fullers@xafinityconsulting.com

Telephone number: 02890 328282

Plan Documentation

A full copy of the Trustees' Annual Report & Accounts is available from the Company Secretariat (see contact details on page 1). Other documents available on request include:

- The Statement of Funding Principles, which sets out how the Plan will be funded.
- The Schedule of Contributions, which sets out how much money is being paid into the Plan and when.
- The Recovery Plan, which explains how the funding shortfall is being made up.
- The Statement of Investment Principles, which sets out the principles, applied to the investment of the Plan assets.
- The Rules of the Plan.
- The latest full Actuarial Valuation Report.

Your Queries

If you have any questions about your pension, please put your questions in writing to the Company Secretariat (see contact details on page 1).

Accounts for the Year to 30 July 2016

The summary below has been extracted from the audited accounts of the Plan for the year ended 30 July 2016. The Plan's Auditor, Menzies LLP, reported that the accounts gave a true and fair view of the financial transactions.