Dun & Bradstreet

Decide with Confidence

2014 Trustee report

In this edition of the Trustee report, we look at the Budget announcement from earlier this year, changes to UK pensions, and how they might affect you.

The changes have been designed to give UK pension scheme members more flexibility and choice at retirement, and it is important that you understand the new options and consider whether any of them may change your retirement plans.

Some of these changes are not yet legislation, so some details may change before they are launched. However, it is important to regularly review your retirement plans and this is a good opportunity to consider how these changes could impact them.

To find out more about the budget, please read the special review on pages 2 and 3.

WHAT'S INSIDE?

As part of our continued work to improve the efficiency of the Plan, our goal is to minimise the amount of information we post to members and instead increase our use of email. If you are happy to receive Plan communications electronically, please email **garymkent@gmail.com** with your name, address and personal email address.

Welcome
to the 2014 Trustee report

Highlights

A message from the Chairman

Welcome to the 2014 Trustee report. Inside this special edition, we will provide an overview of the pension changes announced in this year's budget speech, alongside the updated information for defined benefit (DB) and defined contribution (DC) members.

In addition, you can find this year's Summary Funding statement on page 6 which provides an in-depth view on the current financial health of the Dun & Bradstreet (UK) Pension Plan (the Plan).

Last year, we introduced the 3-step guide to help you take better control of your retirement planning.

Step 1

asks you to consider your retirement plans and specifically the financial target you need to meet to achieve these plans. When you read about the budget news on this page, it's worth reflecting on how these changes to pensions might affect your plans.

Step 2

focuses on where you are now against your target. It's a good reminder to regularly check how your retirement savings are doing. You could review your benefit statement, or check up on old pensions you have contributed to. As usual, you can find useful contact information on the back page.

Step 3

covers how to grow your savings to help you meet your target. Make sure you read the pages that relate specifically to your membership. For example, DB members should read page 4 while page 5 is designed for DC members. This information may help you better understand how to reach your target.

We hope you find this edition of the Trustee Report interesting and useful. If you would like to get in touch with us about any of the issues in this newsletter, our contact details are on the back page.

Andy Jermy
Chairman of the Trustees

In March 2014, the Chancellor announced significant changes to the UK pensions system. These changes will provide greater flexibility and choice for pension scheme members mostly at retirement.

The biggest proposed change is that defined contribution (DC) scheme members no longer have to purchase an annuity (a pension) at retirement and can instead take all of their pension savings as cash, which is taxable after a 25% tax-free allowance. In addition, guidance from a range of independent organisations, such as Citizens Advice Bureaux, must be offered to DC members just before retirement to help them understand their options.

Changes from March 2014

Some changes came into effect from March 2014:

- You can now take a cash lump sum from age 60 of £30,000 (of which 25% can be taken tax free). This is an increase from the previous limit of £18,000.
- From age 60, you can now take as cash a maximum of three pension saving pots or accounts, up to £10,000 each; 25% of this can be taken tax free. Previously, the limit was £2,000.
- From 2015, the minimum age for this will go down to 55.
- For DC members, instead of having to purchase an annuity, you can now explore the option of income drawdown with your retirement savings;

  There are two types of income drawdown:

  - Capped drawdown – this allows you to withdraw income each year (subject to a limit or cap) from your pension savings. This cap has increased from 120% to 150% of an equivalent annuity rate.
  - Flexible drawdown – this allows you to withdraw as much as you like from your pension savings. The amount of minimum proven guaranteed income required to allow individuals to use flexible drawdown has been reduced from £20,000 to £12,000 each year.

Thinking of making some changes?

These changes offer a lot of flexibility to members as well as guidance at retirement. However, it may be worth considering taking professional financial advice to help you decide what action, if any, you may want to take. To find an adviser, visit: **www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice**

from the budget

Changes from April 2015

The Government confirmed further changes in July 2014 and more details will be available later in 2014. These proposals are not yet finalised so they may change slightly before they are implemented.

Whilst you are still able to transfer DB benefits to a DC arrangement it is probable that such a transfer may not be in your best interests so, from April 2015, it will be a requirement that face-to-face guidance be provided before any transfers are made. To find your own adviser, please visit **www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice**.

In addition, the Government has proposed an increase to the minimum pension age. Currently it is set at 55 but the increase will see it rise to 57 in 2028.

- You will have the option, from age 55 (the current minimum pension age), of whether you want to take all or part of your defined contribution (DC) pension as a single or series of lump sums, or whether you would like to buy an annuity. This includes any additional voluntary contributions (AVCs) you may have. It will be up to you to decide which best suits your retirement plans.
- You will still be able to take up to 25% of your pension savings as tax-free cash, up to the lifetime allowance, currently £1.25m. You can also take the remainder as cash but this is taxed at your marginal rate in the year that you take your pension.
- DC members are to be offered financial guidance on their options at retirement. This is to make sure members are aware of their retirement options and implications before making any decisions. It is likely that the guidance will be provided by The Pensions Advisory Service (TPAS) and the Money Advice Service (MAS), but further information will be available later in the year.
- Additional tax rules will apply if you take your DC savings as taxable cash. You will receive more information about this at retirement.

What does this mean for you?

It is important to understand how these changes might affect you. The impact will be different for DB and DC members.

For DB members: most of the changes don't affect your DB benefits, although the pension age change affects everyone. However, you might have DC benefits in the Plan, another pension scheme, or in AVCs, so it's worth being aware of all the changes.

For DC members: your options at retirement are changing significantly so you need to make sure you understand them. To take advantage of some of the greater flexibility, you may need or want to make changes to how you are saving or investing for your retirement. So please take time to understand your options and how they may affect your retirement plans. Remember, the purchase of a traditional annuity pension may still be a good option for many people, but these changes provide greater flexibility and choice.

This overview is a summary of the changes and does not take into account any specific provisions under the Plan rules.

If you want to receive more information and updates over the year please send in your personal email address to garymkent@gmail.com.

The BIG picture

Defined benefits

It's been another positive year for the DB Section of the Plan. At 5 April 2013, the value of the Plan was £127.7m, and this increased to £136.8m by 31 March 2014. This means that overall the value of the Plan has increased by £9m in 12 months. This increase is significantly driven by the Company's contributions to the Plan, as well as positive investment returns. More information about the DB Section's Plan financials can be found in the Summary Funding Statement on page 6. If you require additional information you can request a full Report and Accounts.

DB investments

Following the 2010 review of the Plan's investment strategy, the Trustee agreed a series of actions to help meet the Plan's long-term objective of being fully funded by 2030. One of these actions was to reduce investment risk in the Plan, and the Trustee is currently in the process of introducing a programme to reduce inflation risk and the funding level's sensitivity to changes in interest rates. The first phase in the introduction of this programme has been implemented and the second phase will be completed in the third quarter of 2014. It is expected to reduce short-term investment risk by approximately 20%.

The introduction of this programme will result in a restructuring of the Plan's bond portfolio and, as part of this restructure, the Trustee has agreed that it will replace its fixed-interest manager, Rogge, following advice from its advisors. This was due to reduced conviction in the manager's ability to meet its investment objectives. The Trustee is currently reviewing an appropriate replacement for Rogge.

The Plan continues to be invested in two Diversified Growth Funds (DGFs) to spread the Plan's investment risk across different types of assets.

Last year, we reported that the Trustee was in the process of introducing a new monitoring framework that will allow the Trustee to take actions to reduce investment risk as the Plan's funding position improves over time. The Plan's funding level has improved over the year but not to the extent that would result in the Plan significantly reducing investment risk from the current planned level.

As part of the Trustee's role to regularly monitor the Plan, it reviews the performance of its investment fund managers against agreed benchmarks as well as assessing the ability of those managers to continue to deliver above benchmark performance in the future. The table below shows how the investments have performed in the last year and over the last 3 years.

Period to 31 March 2014	Plan (% pa)	Benchmark (% pa)
1 year	3.7	3.0
3 years	7.1	6.7

Source: State Street

Market review summary – year ending 5 April 2014

The positive economic environment in 2013 has continued into the first part of 2014. The situation in Ukraine has not had a major impact on markets, apart from those directly affected. The most affected were European and German equity markets. Concerns about energy supplies and the wider implications for financial markets are the main causes for concern.

One of the main developments during the year was the tapering of the quantitative easing programme by the US Federal Reserve. The announcement was made in the fourth quarter of 2013, with the first phase of tapering taking place in January 2014. The expectation of this development earlier in 2013 impacted risk assets. However the US government also simultaneously announced that it expects to keep interest rates low, this development improved market sentiment.

In Europe, there was a surprise move by the European Central Bank in November 2013 to cut interest rates to a record low of 0.25%, reflecting an outlook of low inflation and economic weakness in the Eurozone. This followed concerns of deflation in some Eurozone countries. Interest rates in the UK and US have remained consistently low over the year to 31 March 2014.

Defined contribution

Investment Update

During 2013, the Trustee undertook a review of the investment funds and lifestyle options available to DC members and you will have received a notice in November 2013 explaining the changes. The key points are below – please make sure you are familiar with them, it's important to know the options available to you.

A quick recap on your investment choices

DC members can choose between two investment approaches:

- a '*hands on*' approach, selecting your own funds from the range available – this is referred to as '*self-select*', or
- two *lifestyle* options that offer a more '*hands off*' approach – in *lifestyle* the investment funds have been pre-selected by the Trustee.

Changes to the *lifestyle* options

Our new *lifestyle* options are the *Diversified Lifestyle option* (previously the *Passive Lifestyle option*), and the option used as the default for automatically enrolled members, and the *World Equity Lifestyle option* (previously the *Active Lifestyle option*). The underlying investments in both options has changed.

You can find out more about the new options in the communication we sent you last year or online at Friends Life. As a result of the budget updates the Trustee will be reviewing the suitability of the *lifestyle options* current structure and we will let you know if any changes are made.

Old Money Purchase Section (OMPS)

If you still have DC benefits in the Old Money Purchase Section (OMPS), no changes have been made to the lifestyle in which these benefits are invested. However, you are now benefitting from the new lower charges outlined below.

New lower charges

As part of the review, the Trustee negotiated lower charges for most of the investment funds. These charges are called the Annual Management Charge (AMC). These reduced charges are now benefiting all DC members and are summarised below.

Fund name	Old AMC	New AMC
Self-select funds:		
BlackRock Aquila World (ex UK) Global Equity Index	0.50%	**0.36%**
BlackRock Aquila UK Equity Index	0.50%	**0.36%**
Global Equity Active	1.38%	**1.30%**
Schroder Diversified Growth	1.25%	**1.05%**
BlackRock Aquila Over 15 Years UK Gilt Index	0.50%	**0.36%**
BlackRock Aquila Over 5 Years Index-Linked Gilt Index	0.50%	**0.36%**
BlackRock Aquila Over 15 Years Corporate Bond	0.50%	**0.36%**
Money Market	0.40%	**0.36%**
Threadneedle Pensions Property (no change in AMC)	0.95%	**0.95%**
Artemis UK Special Situations (no change in AMC)	1.15%	**1.15%**
OMPS lifestyle funds:		
Legal & General Global Equity 30:70	0.50%	**0.36%**
Legal & General Over 5 Years Index-Linked	0.50%	**0.36%**

Note: the OMPS lifestyle funds are only used for members with benefits in the OMPS

Investment funds performance

You can find out how the investment funds are performing in the new Investment Fund Information guide. It provides information on all the investment options and includes links to individual fund factsheets. If you're an active member of the DC Section, you can find the guide on D&B Net. If you're a deferred member of the DC Section, the fund factsheets and more information can be found on the Friends Life portal.

New guidance on the running of DC pension schemes

With millions of workers now joining DC pension schemes as a result of 'automatic enrolment' (see below), workplace DC pension schemes have grown significantly in both size and importance. However, the level of members' understanding and engagement remains low.

For DC pension schemes to be successful, it is vital that those running them ensure they are appropriate, well governed and deliver good member outcomes. To help achieve this, the Pensions Regulator has published new principles and guidelines to assist trustees of DC pension schemes. In particular, the new guidance contains 31 'quality features' that the Pensions Regulator expects to be present in all well run DC pension schemes.

Whilst the Trustee is confident that the Plan provides an excellent opportunity for members to save for their retirement, it is undertaking an in-depth review of the DC Section to assess how it measures up against the new guidance. Once completed, the Trustee will publish a 'Governance Statement' summarising the outcome of the review.

Automatic enrolment – are you paying enough?

Since the beginning of the year, all employees, unless already in a pension scheme, have joined the DC Section of the Plan. Some were automatically enrolled unless they chose to opt out. To start with, members who join the DC Section under auto enrolment automatically pay a contribution of 1% of their Pensionable Salary in return for a contribution from the Company of 3%. However, if you pay more, the Company pays more too. For every extra 1% you pay, the Company will match your extra contribution, up to a maximum Company contribution of 7%.

So, the more you contribute and the sooner you start, the bigger your retirement benefits will be.

How much is enough?

It's important to think about your own situation, how much you can afford and what's right for you. The important thing is that you think about contributing as much as you can, as soon as you can to make the most of the Company's matching contributions, the tax advantages, and if you contribute through Pension Saver, the National Insurance savings. You can change how much you contribute at any time; please contact HR to make a change.

Limits on your contributions

The Government has set certain limits on the level of pension contributions that receive tax relief. Details of these limits can be found on page 34 of the guide to the DC Section.

If you are considering increasing the amount you pay, or making a large extra contribution, you should seek impartial financial advice to check whether you might be affected.

Summary Funding Statement

Plan structure and background

This funding statement is primarily intended for members of the **defined benefit (DB) Section** of the Dun & Bradstreet (UK) Pension Plan ('the Plan'). This comprises:

- the Final Salary Section – closed to benefit accrual from 31 March 2004; and
- the CARE (Career Average Revalued Earnings) Section – opened to the former Final Salary active members from 1 April 2004.

The Plan also operates a **defined contribution (DC) Section**. This comprises:

- the Old Money Purchase Section – closed from 31 March 2004; and
- the new defined contribution (DC) Section – opened to active members from 1 April 2004.

This funding statement is less relevant to members of the DC Section since their benefits are funded by their individual Money Purchase or Investment account. However, benefits from the old Money Purchase Section are backed by a defined benefit guarantee which may, in some cases, provide an uplift to the pension that can be purchased from a member's Money Purchase account. The guarantee results from the Plan 'contracting-out' of the State Earnings Related Pension Scheme, or State Second Pension, up to April 2004. The new DC Section is not 'contracted-out' and so does not have this guarantee.

Membership of the Plan is an important and valuable benefit. So knowing how the Plan is doing financially, and whether your benefits are secure, is of paramount importance.

The Trustee is required to send you an annual statement showing the Plan's financial health. This is the 2014 statement which summarises the results of the 5 April 2014 informal funding update. Also included in this statement are answers to some of the questions you may have and more commentary on what the figures included in this statement mean. The Trustee hopes that you find this statement informative.

The Plan's financial health

Plan's health assuming that the Plan will continue as currently modelled

5 April 2012 valuation and 5 April 2013 funding update

The last formal actuarial valuation of the Plan was carried out as at 5 April 2012. It showed that on an ongoing basis the Plan assets were 81% of the value of its liabilities (77% for DB Section only). The corresponding funding shortfall was £33.7m.

Last year the Trustee obtained an approximate estimate of the funding position at 5 April 2013. It showed an improved position on an ongoing basis with the Plan assets being 83% of the estimated value of its liabilities (78% for the DB Section only).

Recovery Plan

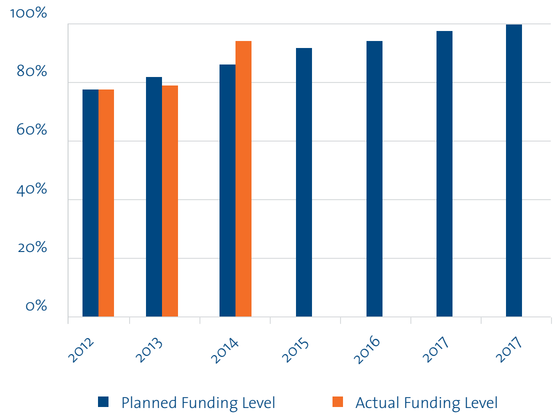
In order to address the Plan's shortfall, the Company is currently paying contributions of £5.9m a year until 31 October 2017.

In addition, the Company is paying contributions in respect of ongoing benefit accrual of 18.2% of DB members' Contribution Salaries and is contributing to the DC Section at the rates set out in the Plan Rules.

The Plan's administrative expenses, insurance premiums and levies to the Pension Protection Fund are payable in addition.

5 April 2014 funding update

The Trustee has now obtained an approximate estimate of the funding position at 5 April 2014. It showed that on an ongoing basis the Plan assets were 95% of the estimated value of its liabilities (93% for the DB Section only). The improvement over 2013-14 was due to a combination of deficit contributions paid, favourable asset performance and a decrease in the value of liabilities that resulted from higher assumed prospective investment returns.



The chart above shows the actual progress of the funding level of the DB Section (red bars) compared to the planned progress envisaged under the current Recovery Plan.

Plan's health if the Plan were to be wound up

The 5 April 2012 actuarial valuation also showed that if the Plan had been wound up at that date and the benefits (both DB and DC) secured with an insurance company, the assets would have covered around 50% of that cost. This figure is much lower than the corresponding ongoing funding level described above. This is because benefit provision with an insurance company is more costly as insurers are obliged to take a very cautious view of the future and also need to make a profit. By contrast the Trustee's funding plan assumes that the Company will remain in business and continue to support the Plan.

The Trustee is required by law to provide you with this information on the Plan's solvency position. It does not imply that there is any intention, by either the Company or the Trustee, to wind up the Plan.

Your questions answered

How is my pension paid for?

The Company and members pay contributions to the Plan, expressed as a multiple of members' contributions. For DB members these contributions are held in a common fund, not in separate funds for each individual member, and are invested by the Trustee. The funds built up in the Plan through these contributions and investment growth is used to provide members' benefits.

In contrast, each Money Purchase and DC Section member has a designated investment account in the DC section.

How is the Plan's financial security measured?

At least every three years, the Trustee asks the Plan Actuary to carry out a thorough examination of the Plan's financial health. For the 'ongoing' valuation, the actuary looks at the value of the Plan's assets and the liabilities that have built up and compares the two. If the Plan has lower assets than liabilities, it is said to have a 'shortfall' or 'deficit'. If the assets exceed the liabilities there is a 'surplus'.

How are surpluses and shortfalls dealt with?

If the Plan's ongoing valuation brings out a deficit, the Company must agree with the Trustee a 'Recovery Plan' for restoring full funding.

If instead a surplus is brought out, the Company would typically contribute to the Plan at a lower rate than required to pay for benefits currently building up, until such time as the surplus has been run off.

How much money is paid into the Plan each year?

Following each actuarial valuation, the level of Company contributions that should be paid to the Plan in order to meet the benefits being built up by members are agreed between the Trustee and the Company. These contributions are recorded in a 'Schedule of Contributions'. This is reviewed and updated at least at each actuarial valuation.

There has not been any payment to the Company out of the Plan assets in the last 12 months.

What does 'winding up' mean?

Winding up means that the Plan would be discontinued. In this circumstance benefits would either be provided from the Plan, run as a 'closed fund', or would instead be secured through an insurance company. This could happen if the Company were insolvent or decided to discontinue the Plan.

If the Plan was wound up, the Company would, if it had sufficient resources, have to pay enough money to the Plan to buy all the benefits built up by members from an insurance company.

A winding-up valuation shows a weaker funding position than the ongoing valuation, because insurance companies take a very cautious view when calculating what assets should be held to pay future benefits.

So why have you shown the 'winding up' position?

We are required by law to show you this information. Providing this information does not mean that the Company is thinking of winding up the Plan. It is just another piece of information we hope will help you understand the financial security of your benefits.

What would happen if the Plan were wound up and there was not enough money to pay for all my benefits?

The Government has set up the Pension Protection Fund (PPF) to pay benefits to members of schemes that wind up where the fund and the employer do not have enough money to cover the cost of buying all members' benefits with an insurance company.

The pension paid from the PPF might be less than the full benefit that a member has earned, depending on their age and when their benefits were earned.

Further information is available on the PPF website at **www.pensionprotectionfund.org.uk**. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CRO 6SR.

Can I leave the Plan before I am due to retire?

If you are an active DB member, you can leave the Plan before you reach retirement and your pension will be based on your Final Salary and CARE pensions built up to your date of leaving. You can leave these benefits in the Plan where they will revalue to your retirement or transfer them to another pension arrangement.

If you have already left the Plan with 'deferred benefits' in the Plan, you can transfer these to another pension arrangement prior to retirement if you wish.

Your transfer value would be assessed as the value of your deferred benefits. If you are thinking of leaving the Plan or transferring out your deferred benefits you should speak to a Financial Adviser (FA) before taking any action to ensure that you don't lose out. To find a FA near you visit **www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice**. FAs may charge for their services so ask for a quote first.

Can I take my benefits before my Normal Retirement Age?

Normal Retirement Age (NRA) for active members is age 65. However, some historic elements of pension have an NRA of age 60. You can, with Company consent, opt to put your benefits into payment before your NRA but they would then be reduced to reflect the fact that they are then paid earlier, and for longer than under the Plan's standard provisions.

How is the Plan invested?

The Trustee sets the Plan's investment strategy with the help of their professional advisers. As at 5 April 2014, the Plan is pursuing an investment strategy to achieve the following investment benchmark portfolio:

World equities (75% hedged)	13.5%
Emerging Market equities	1.5%
Diversified growth funds	45%
Fixed-interest gilts	10%
Index-linked bonds	20%
Corporate bonds	10%

The Trustee is also introducing a programme to manage investment risk by reducing the funding level's sensitivity to changes in interest rates.

Contact details

If you are a Defined Benefit or Old Money Purchase member:

Mercer
Four Brindleyplace
Birmingham
B1 2JQ

Telephone: 0121 733 4155
Email: ADMDMBPensions.SOL@mercer.com

If you are a new Defined Contribution member:

Friends Life Corporate Customer Services
PO Box 6272
Basingstoke
Hampshire
RG21 6SH

Telephone: 0845 026 0422
Email: CCSEnquiries@friendslife.co.uk

Need more information?

If you need more information about the Plan, you can also contact the Chairman of the Trustee and/or the Secretary to the Trustee. Their contacts details are:

Chairman of the Trustee: Andy Jermy
Email: jermya@dnb.com

Secretary to the Trustee: Gary Kent
Email: garymkent@gmail.com

Taking some advice

If you think you need advice or support with your retirement planning, you should consider speaking to an Impartial Financial Adviser (IFA). You can find an IFA local to you at **www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice**.

An IFA can help you plan your financial future. They will talk to you to understand your circumstances and provide the suitable advice for your own situation. IFAs can advise on many financial topics including: pensions, saving and investments, tax and mortgage, and loans.

Remember, an IFA is likely to charge for their services.

Communicating more efficiently

We have a goal to improve the efficiency of running the Plan and one area we are focussing on is how we communicate with members. We would like to use electronic communication in the future, allowing us to be more environmentally friendly, cost efficient and able to communicate more quickly if necessary.

If you are happy to receive some Plan communications on email, please send your **personal email** to **garymkent@gmail.com** along with your name and address for verification. We ask for a personal email address so we don't lose touch with you even if you stop working for the Company.

Explaining pensions

Actuarial valuation: An in-depth look at the Plan's finances, carried out at least every three years by the Actuary.

Actuary: The qualified, independent professional appointed by the Trustee who is responsible for examining the Plan's finances and assessing the Plan's financial health.

Plan's assets: The amount of money invested and held by the Plan.

Plan's liabilities: The estimated cost of providing the benefits earned to date by all the current members and those who have left the Plan, together with the pension benefits already in payment.

Shortfall: If the liabilities are greater than the assets, the Plan is said to have a shortfall or deficit.

Surplus: If the assets are greater than the liabilities, the Plan is said to have a surplus.