Introduction

Welcome to the second issue of ‘Pensions Talk’. Antony Macwhinnie, your TSB Pension Scheme Trustee representative, introduced our first issue. Antony retired late last year, and I’ve taken over his role so I’m bringing you this latest edition.

We’ve got some useful pension updates along with all the latest news on the Scheme including:

• Making the most of TSB’s contribution
• Member Web
• Pension tax
• 2016 Annual Report and Chairman’s statement
• Pension scams

I hope you find it all useful. Please get in touch and let our Scheme Administrators, Equiniti, know if you’ve got any feedback, or if there’s any other information you’d like to see in future issues. You can find their contact details on the back page of this newsletter.

David Curtis
The Law Debenture Pension Trust Corporation plc
Trustee of the TSB Pension Scheme
Are you making the most of TSB’s contribution to your pension account?

In the last edition of Pensions Talk, we promoted the benefits of paying more than the minimum contributions into your pension. In case you haven’t got around to doing anything about this yet, we’re mentioning it again – it’s such an easy thing to do. So, why not make the most of TSB’s extra contributions to boost your pension saving today?

You could be missing out on a further 5% TSB contribution to your pension. If you pay 3% towards your pension, TSB pays 8%. If you increase your contribution to 5% then TSB will pay 13% into your pension account. And, the increase in your contribution will actually cost you less than you might think as you’ll also be saving on tax and National Insurance.

Don’t forget, the good news is you can change your contributions at any time. You’re not restricted to the Flex annual enrolment period, so you don’t need to wait to make a change! Just log in at www.TSBFlexibleBenefits.co.uk or call the Flex team on 0371 384 2920 (option 3) to find out how to do this.

Member Web – online 24/7 access to your TSB pension account

Last year we launched Member Web, which gives you 24/7 access to your TSB pension account. This means you can see the current value of your pension savings and how much you could get on your retirement. There’s also a really handy calculator that shows you how much you need to be contributing to your pension savings to give you the lifestyle you want when you stop working.

If you’re logging in from work the site is best viewed in Firefox, unless your machine has been upgraded to Internet Explorer 8 recently.

If you’ve forgotten your login details or haven’t registered to use Member Web yet, please call Equiniti on 0345 266 9214 (option 2, then option 1).

Full details of the Scheme are available at www.tsbpensionscheme.co.uk 24 hours a day, 7 days a week.
Annual pension statements

We're pleased to let you know that from June this year your annual pension statement will be available online through Member Web. You will also receive a hard copy to your home address. If you haven’t already logged in and registered for Member Web, or if you’ve forgotten your login details, you can call Equiniti on 0345 266 9214 (option 2, then option 1).

One-off cash lump sum now available at retirement

At retirement you now have the option to take your whole pension account as a one-off cash lump sum. If your pension account is greater than £10,000 this is known as an Uncrystallised Funds Pension Lump Sum (UFPLS). If your pension account is less than £10,000 this is known as a Small Pots Lump Sum.

In both cases the tax treatment of your pension account will be the same; 25% will be tax free and the rest will be taxed at your marginal rate.

If you’re over the age of 50 and thinking about retiring soon, Pension Wise is a Government service that offers free and impartial guidance to help you understand your options at retirement. You can find this by visiting www.pensionwise.gov.uk or by phone or face to face. You can book telephone appointments by ringing 0800 138 3944 or +44 20 3733 3495 (if you’re outside the UK). You can book face to face appointments by calling your local guidance provider - you can find the relevant contact details here: www.pensionwise.gov.uk/book-face-to-face.

You should access the guidance and also consider taking independent financial advice to help you decide which option is most suitable for you.
Security of your TSB pension

We’ve added a statement on the security of your TSB pension to the Scheme Guide. You can find this on our website www.tsbpensionscheme.co.uk/forms_and_documents/documents (see page 19 of the Guide).

You’ll see in the statement that the Trustee keeps this under regular review, and is satisfied the arrangement we have now is in line with current industry best practice.

Pension tax

One benefit of paying into a pension scheme is that you get tax relief on the contributions you pay in. But there are some limits you need to consider. You’re limited on the total amount of contributions you can pay into all your pension arrangements in any tax year and still receive tax relief. And, you’re also limited on the total pension savings over your lifetime without incurring an additional tax charge.

There are two limits set by HM Revenue & Customs (HMRC):

- The Annual Allowance
- The Lifetime Allowance

Most people will be unaffected by these limits. However, you’re personally responsible for checking and advising HMRC if you have exceeded them.

The Annual Allowance (AA)

The AA is the total amount of tax free pension saving you can make or have made on your behalf within the tax year. The Government reduced the AA to £40,000 from 6 April 2014. And, for higher earners, there were some further changes made from 6 April 2016, which means that their AA may be less than £40,000 - this is known as “tapering”.

Most people won’t be affected by the AA tax charge because their total pension saving won’t be more than £40,000 per year. If you exceed the AA, you may have unused allowance from the previous three years that can be carried forward. Equiniti will let you know before 6 October following the tax year end if your pension savings in the TSB Pension Scheme over the relevant period (known as a “Pension Input Period”, which from 6 April 2016 is the tax year) exceed the AA. For the 2015/16 tax year special transitional rules applied.

The Money Purchase Annual Allowance (MPAA)

The MPAA is the maximum annual amount individuals can contribute to a Defined Contribution (DC) pension scheme, after having taken certain benefits from any DC pension arrangement - this does not include Small Pots Lump Sums less than £10,000 or a flat-rate or increasing annuity. Philip Hammond, Chancellor of the Exchequer, announced in his November 2016 Autumn Statement that this will be cut from £10,000 to £4,000 per annum from April 2017.

You can find more information on the AA and MPAA at www.gov.uk/tax-on-your-private-pension/annual-allowance

The Lifetime Allowance (LTA)

The LTA is the total value of all the pension benefits you can build up over your lifetime without triggering an excess benefits tax charge. If the value of all your pension benefits when you draw them (but not including any State Pension, or any partner’s or dependant’s pension you may be entitled to) is more than the LTA you’ll have to pay tax on the excess benefits.

Most people will be unaffected by the LTA. From 6 April 2016, the LTA reduced from £1.25 million to £1 million. You may have an enhanced LTA if you’ve claimed one of the statutory protections available. Two new protections were introduced from 6 April 2016:

- Fixed Protection 2016
- Individual Protection 2016

You can find more information on the LTA at www.gov.uk/tax-on-your-private-pension/lifetime-allowance
Summary of 2016 Annual Report and Chairman’s statement

Here’s a summary of the Scheme’s Annual Report. If you want to see the full version, please get in touch with Equiniti. You can find their contact details on the back page of this newsletter.

Membership at 31 March

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>Members in service</td>
<td>8,086</td>
<td>8,310</td>
</tr>
<tr>
<td>Deferred members</td>
<td>498</td>
<td>202</td>
</tr>
<tr>
<td>Life cover only members</td>
<td>254</td>
<td>318</td>
</tr>
<tr>
<td>Total</td>
<td>8,838</td>
<td>8,830</td>
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</table>

Value at 31 March

<table>
<thead>
<tr>
<th></th>
<th>2016 (£'000)</th>
<th>2015 (£'000)</th>
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</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>33,253</td>
<td>30,874</td>
</tr>
<tr>
<td>Transfers-in</td>
<td>1,675</td>
<td>5,603</td>
</tr>
<tr>
<td>Other income</td>
<td>259</td>
<td>1,446</td>
</tr>
<tr>
<td>Return on investments</td>
<td>(1,565)</td>
<td>1,835</td>
</tr>
<tr>
<td>Sub total</td>
<td>33,622</td>
<td>39,758</td>
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</tbody>
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Expenditure

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<tr>
<th></th>
<th>2016 (£'000)</th>
<th>2015 (£'000)</th>
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<tbody>
<tr>
<td>Benefits paid</td>
<td>(531)</td>
<td>(1,463)</td>
</tr>
<tr>
<td>Payments to leavers</td>
<td>(1,333)</td>
<td>(725)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(950)</td>
<td>(1,048)</td>
</tr>
<tr>
<td>Sub total</td>
<td>(2,814)</td>
<td>(3,236)</td>
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Net assets at 1 April

<p>| | | |</p>
<table>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net assets at 1 April</td>
<td>36,522</td>
<td>-</td>
</tr>
<tr>
<td>Total value at 31 March</td>
<td>67,330</td>
<td>36,522</td>
</tr>
</tbody>
</table>

The total membership of the Scheme on 31 March 2016 was 8,838 members.
Investments

Zurich Assurance Limited holds all the investment funds in the Scheme on its investment platform. Legal & General Investment Management and BlackRock are the underlying fund managers.

You’ll find a description of each of the 14 funds offered to members of the Scheme in the ‘investment’ section of the Scheme website www.tsbpensionscheme.co.uk. The current charge for each fund is shown in the ‘fund charges’ section.

You can read fund factsheets with performance details, for each of the 14 funds at http://webfund6.financialexpress.net/clients/zurichcp/portoliopricetable.aspx?schemeID=57

Chairman’s statement

New rules introduced in 2015 require all Defined Contribution (DC) pension schemes to produce an annual Chairman’s statement. It’s aim is to improve standards in DC pensions. This, amongst other things, covers:

- A statement explaining the investment principles of the default fund and when this was last reviewed by the Trustee, along with any changes made
- How the Trustee has secured prompt and accurate financial transactions in the Scheme
- The level of member-borne costs and charges in the Scheme and the Trustee’s assessment of whether these represent value for members in the Scheme
- How the Trustee has complied with the requirements around their knowledge and understanding in pensions

You can read the Chairman’s statement for the last Scheme year online at www.tsbpensionscheme.co.uk/pensions_talk
Pension scams - a ban on pension cold-calling

After your home, your pension may be your next most valuable asset. Unfortunately, with the new pension freedoms that came into effect from April 2015, criminals targeting your pension are on the increase.

We touched on this issue in last year’s edition of Pensions Talk and we’re pleased to say the Government has taken the welcome step of consulting on banning pension cold-calls. So, if the proposal goes ahead and a business doesn’t have an existing relationship with you it will be illegal for them to call you. This will include scammers targeting people who inadvertently ‘opt in’ to receiving third party communications. It’s proposed that the ban will be enforced with fines of up to £500,000, so it should be a good deterrent. But, the proposal doesn’t currently cover texts and emails.

What does a pension scam look like?

They come in many different forms and typically tend to offer ‘unique investment opportunities’ or the chance to ‘unlock your pension’ – for example, by investing your pension pot in a new hotel in an exotic location or in various ‘ethical’ projects that promise high returns. These offers may be illegal and if you’re contacted directly with such an offer that sounds too good to be true, it could be a scam.

According to the Treasury around 250 million scam calls are made every year in the UK, which works out to be eight every second! Almost 11 million pensioners are being targeted every year by cold-callers – with savers reporting estimated losses of almost £19 million to pension scams between April 2015 and March 2016.

Sadly, anyone caught by a pension scam could lose most, if not all, of their pension savings. There may be no compensation available after making the decision to transfer your pension savings to one of these arrangements.

If you’re considering transferring your benefits out of the Scheme, you can find out more about the dangers of pension scams at www.thepensionsregulator.gov.uk/pension-scams

Useful information for you

You can find full details on the Scheme at www.tsbpensionscheme.co.uk

Scheme Administrators

If you have any questions or would like to give us some feedback, please contact Equiniti:

TSB Pension Scheme
Equiniti Limited
PO BOX 4945
Lancing
BN99 8LQ

0345 266 9214

tsbpensions@equiniti.com

Independent professional financial advice

You can get more information and guidance from www.moneyadviseservice.org.uk

You can find an Independent Financial Adviser (IFA) at www.unbiased.co.uk