

Pensions Bulletin

Your newsletter from the Trustees of the Tensar International Limited Retirement Benefits Plan
December 2009

A Message From Your Trustees

Welcome to your annual newsletter to members of the Tensar International Limited Retirement Benefits Plan. The purpose of the newsletter is to update members on the progress of the Plan and also inform members of matters of interest in the wider field of pensions. This newsletter covers the year ended 5 April 2009.

The main topics of Trustee meetings during the year were funding of the Plan and the recent turmoil seen in the investment markets. Further details are given later in this newsletter.

As ever, if you have any questions on the Plan or your individual benefit entitlement under the Plan, or any of the articles and issues we cover in this newsletter, please don't hesitate to get in touch. Contact details are on the last page.

The Trustees

December 2009

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Money Matters

Income & Expenditure

The chart below shows the flow of money into and out of the fund over the Plan year under review.

	£
Value of the fund at 5/04/08	37,479,812
Income	
Employer contributions	934,407
Employee contributions	242,199
Members' AVCs	69,920
Other income	482,300
Total income	1,728,826
Expenditure	
Pensions paid	967,705
Lump sums on retirement	200,877
Lump sums on death in retirement	599,774
Refunds of contributions on death	4,783
Purchase of annuities	1,928
Life insurance premiums	71,246
Transfers Out	32,599
Total expenditure	1,878,912
Investment income	788,460
Investment Manager rebates	14,043
Change in the value of investments	(8,917,505)
Net return on investments	(8,115,002)
Value of the fund at 5/04/09	29,214,724

Membership

	5/04/08	5/04/09
Active members	136	132
Pensioners	221	231
Members with preserved and deferred benefits	205	199
Total membership	562	562

Investment Report for the year ended 5 April 2009

Overview

The Trustees have overall responsibility for the sound investment of the Plan's assets, but over the year covered by this report they delegated the day to day management of the Plan's investments to BlackRock Investment Management (UK) Limited (but see below).

Investment commentary

During the year the credit crunch claimed a number of high profile casualties as the fragility of the banking system was brutally exposed. At the start of the fourth quarter of 2008, central governments had to provide capital and liquidity to underpin the banking sector. Confidence in the global capital markets was overall very low, resulting in a flight to quality investment such as Government bonds and gold. Over the year, Japan produced the highest returns at -10.7% to the sterling investor followed by the US (-13.4%), the Pacific Basin (-23.1%), UK (-29.3%) and Europe (ex UK) -31.1%.

The gilt market also performed poorly over the year, driven by investor demand for 'safe haven' assets, emergency rate cuts in most of the major markets and the decline in inflationary pressures.

Asset allocation

As at 5/04/09 the Plan's assets were invested as follows (%):

UK equities	60.6
Overseas equities	26.4
UK Property	3.8
Index Linked gilts	6.3
AVC investments	2.2
Cash	0.7

Investment Performance

The Trustees measure the performance of each of the Plan's investment funds by comparing them to 'benchmark funds'. The return on all the Plan's assets is also calculated and compared to a composite benchmark return. The benchmark used by the investment managers (which has been accepted by the Trustees on advice from their investment consultant) is a benchmark that is relevant to the assets being monitored. For example, the "CAPS Trustee Service Median UK Equities" is the benchmark used for the UK equities. The performance of the overall fund is shown below, together with the benchmark.

	1 year (%)	3 years (% a year)	5 Years (% a year)
Plan	-22.8	-5.8	5.0
Composite Benchmark	-25.7	-8.7	1.1

During the year the Trustees gave much consideration to the Plan's future investment arrangements. Following the year end the Trustees decided to appoint Mercer to manage the Plan's assets via their Implemented Investment Solutions Service. The Trustees believe this service has a number of advantages over traditional investment management as it not only provides investment management via multi manager funds (selected by and replaced as appropriate by Mercer) but also a three yearly investment strategy review. The assets were switched from BlackRock in September/October 2009.

Plan Information

Actuarial valuation of the Plan

The Trustees are required by law to formally assess the health of the Plan on at least a three-yearly basis. This is called an “actuarial valuation” and the calculations as at 5 April 2009 are currently being carried out by the Plan’s actuary.

The valuation process looks at the following:

- Whether the assets held by the Plan cover the estimated cost of providing the benefits earned (“the liabilities”) by all members. If not, the Plan is said to be in deficit.
- How the Trustees expect the sponsoring company (Tensar International Limited) to make good any deficit.

In order to estimate the liabilities the Trustees need to set a number of assumptions based on advice from the actuary. For example:

- Investment returns
- Future inflation
- Life expectancy

The topics of investment returns and inflation have frequently been in the news in recent months and the Trustees comment on these in the article “Market Turmoil” below. The Trustees also need to form a view of the Company’s ability and willingness to adequately contribute to the Plan to make good any deficit. This is termed the strength of the ‘Employer’s Covenant’ and is covered in more detail in the article below.

The Trustees need to consider the effect of life expectancy on the liabilities. Underestimating how long pensions have to be paid could mean that not enough money is held by the Plan, but overestimating it may result in too much money being taken from the sponsoring company potentially making the Plan unaffordable.

Whilst the Plan itself has too few members to be able to produce meaningful statistics (in practice only the very largest pension Plans can do this) the Trustees have used a number of different approaches to provide what is believed to be a reasonable estimate of the life expectancy of Plan members.

Once the Trustees have agreed the initial calculations with the actuary, they will meet with the Company to share those results and to commence discussions as to the level of Company contributions to be paid in the future.

As members will already be aware the Company has proposed that pension accrual in the Plan will cease from 6 March 2010. A consultation process regarding this is currently underway. If accrual in the Plan ceases from 6 March 2010, the pension benefits you have earned up to this point will continue to be provided by the Plan and the Company will continue to appropriately contribute to the Plan into the future to rectify the deficit in relation to those benefits.

Market Turmoil

2008 witnessed unprecedented events in the investment markets, with most asset classes registering large losses and very high volatility. Except for the minority of pension plans investing in very low risk assets, this has translated into falls in plan funding levels on most measures.

Recent analysis suggests that the funding levels of FTSE 350 plans have fallen by over 25% since 31 March 2007, with over 15% of this fall occurring since the start of 2008.

Funding a defined benefit pension plan like the Tensar Plan is, by its nature, a long-term commitment and whilst funding levels can vary considerably from day to day (particularly in the current market turmoil), the key message is that Trustees should continue to focus on the strategic funding aims for the Plan. Trustees should also continue to monitor the employer's covenant as this is a key underpin for the Plan.

The Pensions Regulator has issued a statement to Trustees about the current market turmoil and resulting financial pressures. The key messages were:

- The Regulator recognises that the recent financial pressures will be of great concern to pension plan Trustees, sponsoring employers and plan members.
- Trustees need to remain vigilant and to keep the position of their plan under review.
- Trustees should continue to focus on making sound decisions in the long-term interests of plan members.
- The Regulator does not at this time intend to make any changes to its codes of practice, but recognises that these are unprecedented times and will keep its approach under review.

Employer Covenant

The Pensions Regulator expects Trustees to take into account the "Covenant" of the sponsoring employer. Put simply the employer covenant is "the ability and willingness of the sponsoring company to adequately fund a pension plan". This forms the cornerstone of the funding plan for benefits. A strong employer covenant enables trustees of pension plans to accept short-term volatility in funding levels, including the increase in deficits which has happened to many plans, including the Tensar Plan, following the recent market falls.

The Trustees need to consider how strong they believe the sponsoring employer is. A strong employer can be reasonably expected to continue to trade profitably in the longer term and therefore be able to support a pension plan in the longer term. This might enable the Trustees to consider investing the Plan's assets in riskier assets such as company shares (equities) as the sponsor should be available to support the Plan if those assets fall in value. The converse is true of a weaker employer, whereby the Trustees would wish to take fewer risks with their investments to limit the effect of any downturn in asset values in case there is no employer or an employer with little money to help out in the future.

Pension Update

Minimum pension age changes

The minimum age from which members can take their pension benefits changes from 50 to 55 on 6 April 2010. (Different rules apply to retirements due to ill-health.) Members who may be affected by this change have been written to separately.

Keep your pension details safe

Scam emails and calls supposedly from banks may, unfortunately, be a relatively common occurrence, we hear about them in the news. Recently, some pension scheme members have been contacted by people claiming to represent the Financial Assistance Scheme (FAS). With this scam, scheme members are asked to provide personal details over the telephone to help in processing various options, one being to "unlock their pension". This is not a legitimate request. Please be aware these calls are not from FAS staff, and this is currently being investigated to try to identify the source.

Keep your personal scheme information safe. It is your retirement money, so treat it like you would your bank account.

Trustees and Professional Advisers

The Trustees

The current Trustees are:

D A Johnstone

C Jenner

D Presho

(Member Nominated Trustee – resigned 15 December 2009)

J Riley

(Member Nominated Trustee)

B Edwards

(Member Nominated Trustee – appointed 15 December 2009)

Professional Advisers

The Trustees are ultimately responsible for the efficient and effective running of the Plan; however, they delegate some of the day to day responsibilities to professionals and take the advice of experts when making decisions. The Trustees' advisers during the year were as follows:

Actuary

J D Ferns F.I.A

Mercer Limited

Auditor

PricewaterhouseCoopers LLP

Investment managers

BlackRock Investment Management (UK) Limited (removed 7 October 2009)

Mercer Investment Management (appointed 16 June 2009)

Legal adviser

Taylor's Solicitors

Administrator and consultant

Mercer Limited

Life assurance company

UnumProvident (removed 22 March 2009)

Legal & General Assurance Society Limited (appointed 22 March 2009)

More Information

If you would like more information on any of the areas covered in this report, or a copy of the full Plan Report & Accounts, please contact David Johnstone at Tensar International Limited, Cunningham Court, Shadsworth Business Park, Shadsworth, Blackburn, BB1 2QX.