Land Rover Pension Scheme
Summer 2012 Update

your future

Introduction by Alan Walker, OBE, Chairman Jaguar Land Rover Pension Trustees Limited

Welcome to the latest issue of the Land Rover Pension Scheme Newsletter.

This will be my last Newsletter to you as I am retiring from the Company this summer. Rob Lummis has been appointed as my successor. It has always been an honour and a privilege to be associated with the pension schemes both as a Trustee Director and as Chairman of the Trustee Board. I would like to thank my fellow Trustee Directors for their help and loyal support over the years. May I wish all members good health and happiness.

As you may recall, our Winter 2011 Newsletter reported as usual on the latest Scheme facts and figures. In this summer edition, we take the opportunity to bring you further news about Scheme matters, as well as some wider pension issues that may affect you.

There now seems to be constant activity and change in the world of pensions, as the Government continues to introduce new measures affecting benefits. In this issue, we look at the controversial 'granny tax' and some new rules about the annual allowance.

Focusing back on our Scheme, if you are an active member, you will see that we have included your yearly Benefit Statement with this Newsletter. (By active member, we mean you are currently employed by Land Rover and building up benefits in the Land Rover Pension Scheme.) You will notice that the Benefit Statement does not include your State Pension Forecast as it normally would. We outline the reason for this inside.

Please note that only active members receive a Benefit Statement, so you will not find one enclosed if you are receiving a pension from the Scheme.

We are aware that sometimes you may want to know more background than we can show on the Benefit Statements. With this in mind, we have included a feature which points you towards some useful sources of information that may help you with your retirement planning. I hope you find this helpful.

I am pleased to report that in March, Land Rover prepaid its estimated contributions for the forthcoming year and these amounted to £59.1 million.

I am also pleased to report that Jardine Lloyd Thompson (formerly known as HSBC) has been appointed as the Scheme Administrator for a further 5 year period from April 2012.

Finally, in addition to my retirement, I have some other Trustee Board changes to report. Since our last issue, Peter Simkin has taken the decision to step down. I would like to thank Peter for his hard work, dedication and service to the Scheme during his time on the Board. At the same time, I would like to take the opportunity to announce the appointment of our new Company Nominated Trustee Director, David Betteley, and to welcome him to the Board.

You can read all about David inside this edition, along with an article by fellow member Nominated Trustee Director Marcus Sinclair Taylor about the first 200 days on the combined Trustee Board and the role of Trustee Directors.

I hope you find the Newsletter interesting. Please remember to contact the administrators - whose details are on the back page – if you have any questions after reading it.

Alan Walker

Alan Walker, OBE, Chairman Jaguar Land Rover Pension Trustees Limited

Newsletter by e-mail

If you are a monthly-paid employee with a Jaguar Land Rover e-mail address, you already receive this Newsletter electronically. We believe that sending out as many copies of the Newsletter as we can by e-mail will, of course, not just bring down the printing cost involved – but also help in our efforts to be more 'green' in our approach to communicating with members. If you are not already receiving your Newsletter by email, but would be happy to switch from the printed version, please let us know by filling in the enclosed form and returning it to us by post to Land Rover Pension Scheme, JLT Benefit Solutions, St James House, 7 Charlotte Street, Manchester M1 4DZ or by email to **landrover@jltgroup.com**.
Please get in touch before October 2012 if you can – then you will start to receive the electronic edition from the next winter issue.

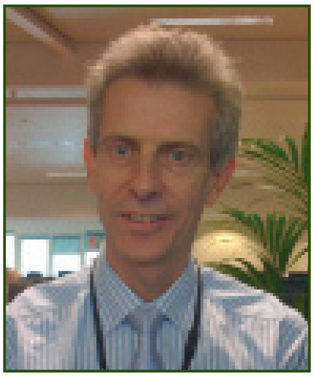
Introducing David Betteley

David Betteley has recently been appointed to the Trustee Board as a Company Nominated Trustee Director. We would like to offer David a warm welcome to the Board.

David started his career in Financial Services as a graduate trainee with Lloyds and Scottish Finance (part of the Lloyds Bank Group) in Manchester in the late 70's.

In 1989, he joined the International Motors Group (IM) to set up their in-house finance company in the UK to support the Hyundai and Subaru brands. He then moved to Sweden in 1992 to run their vehicle distribution operations in Scandinavia, Russia and the Baltic states.

David moved back to the UK in 1996 to become MD of Vauxhall Finance and successfully managed the transition from seven branches to one central location.



He was recruited by Toyota in 1998 to bring their UK Financial Services operations in-house. Latterly (as senior vice president) he had responsibility for overall operations, sales and marketing and the development of new markets for both Toyota and Lexus in the Europe and Africa region. During this 12 year period at Toyota he served as a Pension Trustee which gives him good experience to serve in a similar capacity at JLR.

In 2010, David joined Jaguar Land Rover as Global Financial Services Director. His main non-executive role has been as Chairman of the Finance and Leasing Association in the UK during the period May 2007 to May 2010.

David holds an MBA from Aston Business School. Outside work his time is mainly devoted to his family. However he enjoys the occasional game of golf and still closely follows the fortunes of Manchester City.

The first 200 days

Until last autumn, the two Jaguar Plans and the Land Rover Pension Scheme had separate Trustee boards. However, the Company proposed that bringing the Boards together would allow us to run our plans more efficiently and cost-effectively. Following advice from our advisers, each separate Board agreed to the new arrangement, and the combined Trustee Company held its first meeting on 5 October 2011. You may remember that our Newsletter last winter was the first to be issued by the new Board.

I had expected there might be some early teething troubles with the new Board, for three reasons:

1. Each Board member brings with them their own personal history and particular focus.
2. The Board is very big – 24 members in total.
3. The single Board now has to manage three plans, each with its own rules and investment strategies.

I am pleased to say that I need not have worried. With the help of our advisers, we have very quickly got to grips with understanding the basics of the Plans or Scheme that are new to us. In February, we received two days of intensive training and took the Pensions Management Institute's Trustee Certificate exam. While there is still a lot to learn, we have made a good start.

Right from day one, the Board has had to take some big decisions. As a single body, we only needed one set of advisers, so we had to decide which appointments we would take forward. This could have ended in some difficult discussions, as it is only natural to want to keep those advisers you have worked with and trusted over many years.

However, these problems were avoided by the pensions team setting up robust selection processes, allowing us to make decisions based solely on evidence. As a result, we were all able to agree on all the appointments.

This early success has enabled the Board to 'hit the ground running'. Terms of reference have been agreed for all sub-committees.

The Finance and Investment Committee (FIC) has made rapid progress on 'diversifying' the pension investments. ('Diversification' in pension scheme investing is the practice of spreading the scheme's assets across different investments to reduce risk – if a particular investment performs poorly, it need only affect a small part of the overall fund.) In one particular case – whether or not to invest in 'swaps', which would lessen the impact of interest rates and inflation – the FIC decided to go ahead with the investment and reduce the risk, despite the Company's initial reluctance. It has also introduced a number of new investment managers for all our plans, following a thorough review of our investment adviser Towers Watson's recommendations.

Our activities over the last 200 days demonstrate how the Trustee Directors have sought to always do the right thing for members. At times we have worked actively to carry out the Company's wishes – for example, by setting up the single Board – while at others we have taken an independent line. We have kept a constructive dialogue going with the Company at all times.

Looking ahead there are many challenges. Issues we must consider include uncertainty about the Eurozone, increasing European pension law, and the effect on schemes of 'quantitative easing' (when the main banks issue more money to boost the economy), which may lead to lower investment returns. Even increasing life expectancy – normally good news

– can cause issues for schemes because pensions that are paid for longer are more expensive to provide.

So, while there appears to be no sign of the challenges ahead reducing, your new Board is 'up for it'.

Marcus Sinclair Taylor, Member Nominated Trustee Director, Jaguar Land Rover Pensions Trustees Limited

Useful sources of information

The following sources of information may help you with your retirement planning:

Directgov

The Government's website for information about all State benefits. The 'Pensions and Retirement planning' section includes details about reaching State Pension Age, asking for a State Pension Forecast , applying for Pension Credit, and what you need to do when you are approaching retirement. Directgov is also home to the Pension Tracing Service, which can help you to find any 'old' schemes you are no longer in contact with, but may be due to pay your benefits.

Future Pension Centre
(for State Pension Forecasts): **0845 3000 168**
Pension Credit Line: 0800 99 1234 www.direct.gov.uk

The Pensions Advisory Service (TPAS)

TPAS is available at any time to help pension scheme members with any queries they have about their benefits, and its website contains useful information about different types of pension arrangement. If you have a problem or complaint to do with your benefits that you cannot resolve with the Scheme itself, you can approach TPAS for guidance.

0845 601 2923 www.pensionsadvisoryservice.org.uk

The Money Advice Service

A consumer service (Government-funded, but independent) with a website containing information and guidance about all aspects of financial planning, including pensions (Please note that the 'advice' is strictly general – see below if you need independent advice about your own finances.)

0300 500 5000 www.moneyadviceservice.org.uk

Independent financial advice

No-one involved in running the Scheme can give you personal advice about your finances. If you want help with any financial decisions you need to make, please consider speaking to an independent financial adviser (IFA). The websites www.unbiased.co,uk and www.mylocaladviser.co.uk can help you search for an adviser in your area.

You could also visit the website of the Personal Finance Society (www.thepfs.org)

The 'Granny Tax' becomes law

On 19 April 2012, the so called 'Granny Tax' was passed by the House of Commons. But what is the 'granny tax' and how will it affect pensioners?

What is the current law?

At the moment people under 65 do not pay tax on the first £8,105 of their income. However, those over 65 receive a more generous tax-free allowance. Pensioners with an income of under about £24,000 get an allowance of £10,500 if over 65 or £10,660 if over 75. This tapers off for pensioners earning over £24,000, so that those with an income of over £29,000 receive the same tax-free allowance as people under 65.

What is going to change?

The Government's aim is to gradually remove the link between the allowance and people's ages – so that everybody has the same tax-free allowance no matter how old they are. It plans to do this in two ways:

1. Allowances linked to age will not apply to those who turn 65 after 5 April 2013. So, if you were born on or after 6 April 1948, you will have the same tax-free allowance as people under 65. This will rise to £9,205 in April 2013.
2. If you are already over 65 (you were born on or before 5 April 1948), you will still have the higher allowance linked to your age. However, these will be 'frozen' at £10,500 or £10,660 (depending on whether you are over 65 or 75, as above) and will not rise with inflation. They will only increase when the personal allowance for people under 65 catches up and overtakes them.

Who will be worst affected?

Pensioners with income below the tax-free allowance will be unaffected as they do not earn enough to pay income tax. Pensioners with an income of more than £29,000 will also be unaffected because they have always had the same allowance as people under 65. Those in the middle will, however, pay more tax.

You do not need to do anything; these changes will be automatically implemented through the payroll.

Annual allowance changes

HM Revenue & Customs applies two allowances to your benefits: a lifetime allowance (for the value of the benefits you build up over your whole career to retirement) and an annual allowance (for the increase in value to your benefits in any year).

You can build up benefits above these allowances, but if you do, you will have to pay a tax charge on the excess.

The allowances are mainly aimed at high earners – for example, the lifetime allowance is currently £1.5 million, which means you would need to retire on an income of more than £75,000 a year to go over it. However, the annual allowance was recently reduced from £255,000 (the equivalent of building up over £25,000 pension in one year) to £50,000, which is closer to building up pension of just over £3,000 a year.

This will still affect relatively few people, but please be aware that the allowances apply to your benefits from all sources (apart from the State), so you are responsible for keeping track of how your benefits compare to them.

If you are close to the annual allowance, you may want to get Independent Financial Advice about whether the facility to carry forward unused allowance should be used to maximise your contributions in the current year.

Whilst we believe it is unlikely that these changes will affect you, as you may be making savings outside of this Scheme, it is important that we make you aware of these changes.

State Pension Forecast

If you are an active member, you will notice that the Benefit Statement you received with this Newsletter does not include a State Pension Forecast as it would normally. The State Pension Forecast shows you the current value of your State Pension, based on the National Insurance you have paid to date, and an estimate of your future State benefits, if you continue to pay National Insurance to State Pension Age.

Unfortunately the Department for Work and Pensions (DWP) has been unable to provide us with these this year. This is because they are currently updating their computer systems to reflect the changes being made to state pensions. The service should be up and running again by the end of 2012 and, if so, we will include a forecast of your estimated State Pension with your 2013 Benefit Statement.

If you want a State Pension Forecast in the meantime, directly from the DWP, you can find out how at **http://www.direct.gov.uk/en/pensionsandretirementplanning/statepension/statepensionforecast/dg_10014008.** (See 'Useful sources of information' for more about the Directgov website.)

Pension increases

Pensions are increased on 1 May each year in line with the Scheme rules. The increase was 3.7% based on the change in the Retail Prices Index (RPI) for the twelve month period to February 2011.

However, pensioners who are above State Pension Age, or who are the widow or widower of a deceased member, and receiving part of their pension in place of the State Second Pension, will receive different increases, in line with pensions law. All pensioners should have received individual letters from the Scheme Administrators explaining their increases.

Expression of Wish forms

In the unfortunate event of your death while you are still a member of the Scheme, your Expression of Wish form (EOW) will guide the Trustee Board when we decide how to pay the substantial benefits that would be payable at this time.

If you have not completed a form, or if it is out of date, these benefits may NOT be paid as you would have wished. The Trustee Board will do their best to carry out your intentions based on the evidence available to them, but the only way to make sure they know your wishes is to complete a form. So, it is very important that you contact the Scheme Administrators (on the details below) for a copy.

If you are an active member, you will see the date when the Scheme Administrators received your last EOW on your Benefit Statement. Please complete a new form if your circumstances have changed since that date, or if there is no date on the statement.

Getting in touch

We hope the information contained in this issue of the Newsletter has been useful to you, but if you have any further questions on any matter relating to your Land Rover Pension, please contact the administrators:

Telephone:	0845 300 2967 or + 44 131 203 2992 from outside the UK.
Address:	Land Rover Pensions Administration Team, JLT Benefit Solutions, St James House, 7 Charlotte Street, Manchester M1 4DZ.
e mail:	Landrover@jltgroup.com