

Plan your Future

Welcome to the latest issue of Plan your Future, keeping you up-to-date with the Land Rover Pension Scheme.

Hopefully, by the time you read this, the summer will be in full swing, with blue skies and bright sunshine. This issue features the latest Summary Funding Statement for the Scheme, which includes the results of the most recent review of the Land Rover Pension Scheme's funding position and the steps being taken, by the Scheme's Trustee Board and the Company, to protect your benefits. We also have a detailed section on the State Pension including the forthcoming 'Universal Pension', along with items focusing on Additional Voluntary Contributions ('AVCs'), and your option to attend a member surgery with a representative from the Administrators. This edition of Plan your Future also includes information on the recent pension increase and a reminder about your "Expression of Wish" Form. For many of you, this issue of Plan your Future will be issued alongside your Annual Benefit Statement. Please note that the Annual Benefit Statement is produced only for Active members of the Scheme (i.e. currently employed by JLR) so, if you are a pensioner, a deferred member or are in receipt of a dependant's pension, then no Annual Benefit Statement will be issued. For those of you who also pay Additional Voluntary Contributions to top-up your pension, then we had hoped to include your AVC fund

information on the Annual Benefit Statement. Unfortunately, due to difficulties experienced by the AVC providers, the AVC values were not available at the time of printing. Please rest assured that you will receive an AVC statement through the post in the near future. As reported upon previously, both the Land Rover Pension Scheme and Jaguar Pension Plans are now overseen by a combined Trustee Board, and we have made a number of behind the scenes changes to combine our activities and procedures for jointly managing both arrangements. A change you may have noticed is that our stationery has been updated. The Solihull Pensions Department have been working with the Jaguar Land Rover Pension Trustees to develop a new-look letterhead for Jaguar Land Rover Pension Trustee Limited, to replace the separate stationery currently in use. The new look retains an appearance that is distinct from the Company's own letterhead, so that pensions communications are easily identified as such. I hope you find the information in this issue useful and informative. If you have any questions about the Land Rover Pension Scheme, please call the Administrators – see back page for details.

Rob Lummis. Chairman, Jaguar Land Rover Pension Trustee Limited

Plan your Future by e-mail

We aim to send out as many copies of Plan your Future as we can by e-mail. This not only brings down the printing cost involved – but also helps in our efforts to be more 'green' in our approach to communicating with members. You will already be receiving Plan your Future in this way if you are a monthly-paid employee with a Jaguar Land Rover e-mail address, or if you have given us your e-mail address and let us know you are happy to receive your copy electronically. If you are currently receiving a printed version of Plan your Future, but would like to switch to the electronic version, please e-mail landrover@jltgroup.com and provide us with your e-mail address. If you wish to receive the next copy of Plan your Future by e-mail, please let us have your e-mail address by the end of September.

State Pension

How does the State Pension work?

You pay towards your State Pension Benefits through your National Insurance Contributions. The State Pension is currently paid in two parts:

- The Basic State Pension, which is a flat-rate benefit; and
- The State Second Pension ('S2P'), which is currently linked to your earnings.

Please note that the Land Rover Pension Scheme is Contracted-Out of the S2P. Contracting-Out is an arrangement where you give up the pension you would otherwise have built up in the S2P. The Land Rover Pension Scheme undertakes to provide you with

benefits that are at least as good as you would have received. In return, you and the Company pay lower National Insurance Contributions. Your Basic State Pension entitlement depends on the number of years you have paid National Insurance Contributions over your working life; or during any time you were unemployed, the amount of National Insurance Credits earned. Currently, you need 30 years' worth of Contributions or Credits to get the full Basic State Pension. If you have less than 30 years entitlement, your Basic State Pension will be reduced in proportion. For individuals who do participate in S2P, the State will provide an additional pension on top of the Basic State Pension. The S2P is only available to those individuals earning above a certain level (the Government's 'lower earnings limit' which, for the 2013-14 tax year is £109 a

week). Once you reach your State Pension Age, you can begin to receive your Basic State Pension. Currently, the maximum Basic State Pension payable (as from April 2013) is £110.15 a week.

Universal Pension

As discussed in the recent Queen's Speech and reported in the news, the Government has published a Pensions Bill, proposing a Universal Pension, which will take effect from April 2016 at the earliest. This single, flat-rate pension would replace the Basic State Pension and S2P – the aim is that it will be at least as high as the current 'guarantee credit' available to pensioners. When S2P is replaced, Contracting-Out will also end. The effect this might have on your overall State Benefits will depend on your personal situation, and your length of membership of the Land Rover Pension Scheme. We will seek to keep you updated with news about this change.

When do I reach State Pension Age?

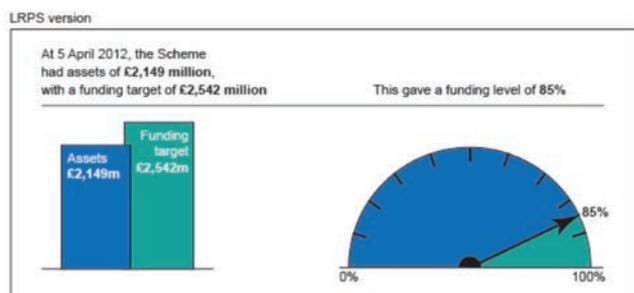
Individuals who qualify for a State Pension start to receive payments in their 60s. The exact age is currently being 'equalised', so that State Pension Age will be 65 for women as well as men by October 2018. It will then rise to 66 for both sexes by 2020, then to 67 between 2026 and 2028. **The age and year at which you can start to receive your State Pension is shown on your State Pension Forecast (included within your Benefit Statement).** Please note if you have any questions regarding your State Pension, you should contact the Future Pension Centre (whose details are on the back page). The Administrators cannot answer questions about your State Benefits.

Summary Funding Statement June 2013

Land Rover Pension Scheme

This section of PlanyourFuture provides information about the latest review of the Land Rover Pension Scheme's funding position and the steps being taken by the Scheme's Trustee Board and the Company to protect your benefits. We are required by law to issue the statement each year (unless a valuation is actually in progress) and we hope that you find the information useful.

Funding position



Our last Summary Funding Statement gave details of the funding level of the Scheme as at 5 April 2011. At that time, the assets covered 95% of the Scheme's liabilities. Since then, we have completed a full actuarial valuation of the Scheme situation, as at 5 April 2012. This showed that the Scheme's assets covered 85% of the Scheme's liabilities, using a reasonably prudent measure of the liabilities. The funding level has fallen since the previous valuation, reflecting changes in market conditions and,

in particular, a significant fall in the expected returns from Government bonds (known as gilts). Given below are some 'Questions & Answers' intended to give you more background on the 2012 actuarial valuation. If you have any further questions, please contact the Pensions Department, on 0121 347 2450.

What is an actuarial valuation?

Every three years, the Scheme's actuary looks at the ability of the Scheme to meet the benefits it has to pay. The aim is to put a value on the total expected cost of paying all benefits, including a margin for prudence, and check whether the value of assets is enough to meet these benefits. The actuary then recommends the levels of contributions needed over a period of time to increase the value of the assets – if there is a shortfall, or 'deficit' in the funding – to meet 100% of the funding target – that is, the expected value of the benefits (or "liabilities"), plus a safety margin. (This target amount is also called the 'Technical Provisions'.) Actuarial valuations typically take place every three years, so the previous one was at 5 April 2009 and the most recent at 5 April 2012. Valuations involve many complex processes and take many months to complete. We also receive a yearly update from the actuary between full valuations.

How do you work out the funding target?

We have agreed a funding policy with the Company, which aims to provide enough money to pay benefits as they are due. The amount of money that the Company pays into the Scheme may go up or down, depending on the actuary's recommendations after each valuation. As long as the Scheme continues and the Company is willing and able to pay the necessary contributions, we expect to be able to pay benefits in full, even though we currently have a deficit.

What does having a 'deficit' actually mean?

For the Land Rover Pension Scheme, the value of the assets was £393 million less than the value of the 'Technical Provisions'. That means that the assets could meet around 85% of this measure of the liabilities. This difference is known as a deficit or shortfall.

How has the funding position changed?

Since April 2011, the Scheme's deficit has grown from £98 million to £393 million. This means that the funding level has worsened from 95% to 85%. While investment returns were positive and the Company made extra contributions intended to reduce the deficit, the amount of money we need to hold to support benefits due has increased significantly. This is mainly because the value of the liabilities has increased, caused mainly by changes in financial market conditions and, in particular, a significant fall in the returns from Government bonds.

Wasn't some security put in place at the last valuation?

At the last valuation on 5 April 2009, an arrangement was put in place whereby, if the Company was unable to support the Scheme, some of the Company assets would be passed over to the Scheme to reduce the deficit. However, given the improved financial strength of the Company since 2009, we have agreed that this is

no longer necessary. As part of agreeing to this change, we are pleased to confirm that the Company made a significant lump sum payment of £55.9 million into the Scheme in March 2013.

Is any other action being taken to tackle the deficit?

We are required to meet with the Company to review and agree the contributions payable to the Scheme at each formal valuation. Between us, we agreed a revised Recovery Plan, designed to make up the deficit. In addition to the payment of £55.9 million, mentioned above, the Company has committed to making further additional contributions to the Scheme, as follows.

During the year ending 31 March 2014	£25.6 million
During the year ending 31 March 2015	£25.65 million
During the year ending 31 March 2016	£28.85 million
During the year ending 31 March 2017	£34.5 million
During the year ending 31 March 2018	£39.0 million
During the period 1 April 2018 to 31 March 2022	£29.3 million each year

Based on these additional contributions, combined with the estimated growth in our investments over this time, we expect the Scheme to be 100% funded in 2022. Progress towards this goal will be reviewed at the next valuation, due at 5 April 2015, and if necessary, we will adjust the Recovery Plan based on the results at the time.

How does the Scheme pay for the benefits we are still building up?

The cost of meeting benefits that will build up in the future is met jointly by you and the Company. Individual Scheme members pay a maximum of 7% of their earnings towards the cost of their pension benefits. As part of our recent discussions on the valuation, the Company has agreed to a significant increase in its contributions from April 2013. Previously, the Company paid 16.6% of your Pensionable Earnings to the Scheme but this has now stepped up to 21.6% of Pensionable Earnings. The increase reflects the higher cost of meeting final salary benefits due, in part, to the expectation of lower rates of investment return in the future and the increasing life expectancy of Scheme members.

Other information

We are happy to confirm that the Company has not taken any money out of the Scheme in the last 12 months. If you are interested in looking at any of the formal documents about the Scheme and its funding, please contact 0121 3472450. These documents include:

- Trust Deed and Rules;
- Annual Report & Accounts;
- Statement of Investment Principles;
- Statement of Funding Principles;
- Actuarial Valuation and Actuarial Reports;
- Schedule of Contributions; and
- Recovery Plan.

Solvency and protection

The figures in the main part of this statement show the 'ongoing' position – that is, the Scheme's funding level on the assumption it carries on into the future. We are also required to give you an estimate of the funding level if the Scheme had been 'wound up' at the date of the last valuation. This is called the 'solvency' position. 'Winding up' means completely closing a pension scheme and placing its assets with an insurance company to manage member benefits. As a result, the solvency funding level is normally lower than the 'ongoing' figure, to allow for the insurance company making a charge for taking on the assets, and placing them in investments which are likely to give lower returns but also lower variability. If a company winds up a pension scheme voluntarily, it must pay the insurance company enough to provide all members' benefits up to the date of winding up in full. This information is given here purely for legal purposes – **the Company has no plans to wind up the Scheme.** If the Scheme had been wound up on 5 April 2012, the value of the liabilities would have exceeded the value of the assets by £2,137 million. That means the assets would have covered around 50% of the estimated cost of securing the Scheme's benefits. This shortfall may appear to be disturbing, but before the scheme could be wound-up, the law would require the Company to fully finance this deficit. In the extreme event that the Company becomes insolvent, the Pension Protection Fund (PPF) may be able to take over responsibility for the payment of benefits (although the PPF has certain benefit limits, which means that some people might not be compensated in full). Visit the PPF website for further details at www.pensionprotectionfund.org.uk.

Additional Voluntary Contributions

As we mentioned earlier, if you pay Additional Voluntary Contributions ('AVCs') to increase your pension, you will shortly be receiving your Annual Statement from the AVC providers. AVCs allow you the opportunity to build up additional funds that you can use when you retire, without dipping into your main pension scheme benefits. AVCs also benefit from the same tax advantages that apply to your normal pension contributions. When you receive your Annual Statement, please check that the information on it is correct, and take the opportunity to look at the performance of your chosen AVC funds. If you decide to change your AVCs after reviewing your statement, please bear in mind:

- the maximum contribution you can make is 10% of your total taxable pay; and
- the minimum contribution is £1 a week, or £4 a month.

To change your AVCs; please complete and return an Additional Voluntary Contribution Request Form, available from:

- HR Online;
- the Pensions Department in Block 17 on the Solihull site; or
- the Administrators, (contact details on the back page.)

As recently reported, the Company has withdrawn the AVC facility for members who were not already

contributing and, therefore, if you are not currently paying AVCs or you want to make extra contributions above the maximum AVC amount, you may still make regular contributions into the Jaguar Land Rover Defined Contribution Fund, which is the Company's pension arrangement currently offered to new JLR employees.

Member surgeries

If you have any concerns or questions about the Scheme you should, in the first instance, get in touch with the Administrators, by phone (please see their contact details below). If, however you feel that you would benefit from a face-to-face discussion with a pensions professional, then the Administrators offer Active members, who currently work for JLR, the opportunity to attend member surgeries at the Solihull site. This allows you to have a private one-to-one discussion about your pension and receive answers to your queries in person. Please contact the Administrators, if you would like to arrange a surgery.

Pension Increases

As stated in the Scheme Rules, pensions in payment are increased on 1 May each year, in line with the increase in the Retail Prices Index ('RPI') to the previous February, up to a 5% limit. As the increase in RPI to February 2013 was 3.2%, the pension increase in May was also 3.2%. If you are a pensioner, above State Pension Age, or a widow or widower of a Scheme member receiving a pension in place of State Pension, you will receive different levels of increases, in line with pension's law. The Administrators will have already written to you individually about these increases.

Equitable Life Update

Unfortunately, we have not received any further updates regarding eligibility for refunds since we last wrote to those members affected. We are still waiting to hear more, but you will be contacted directly if you are eligible for any payments. Please note, if you transfer out of Equitable Life AVCs before receiving any compensation, you will not lose the right to any potential payment in the future.

Expression of Wish Forms

In the unfortunate event of your death, whilst you are still a member of the Land Rover Pension Scheme, your Expression of Wish form ("EOW") will guide the Trustees in the distribution of benefits payable to your dependants. It is very important, therefore, that you complete an EOW Form – and keep it up to date – to ensure your wishes are taken into account.

EOW forms are available from:

- HR Online;
- the Pensions Department in Block 17 on the Solihull site; or
- the Administrators. (See below for details).

Please return your form to the Administrators, or to the Pensions Department. Please note that if you are receiving a dependant's or child's pension, there is no need for you to complete an EOW form.

Useful sources of information

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

GOV.UK

GOV.UK is the Government's website for information about all State Benefits. The 'Working, jobs and pensions' 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. GOV.UK 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 which may be due to pay you benefits.

Future Pension Centre (for State Pension Forecasts):
0845 3000 168

Pension Credit Line: 0800 99 1234 www.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 arrangements. 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

The Money Advice Service is 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.moneyadvice.org.uk

Independent Financial Advice

It is extremely important that you plan for your retirement, and the right advice is crucial to making appropriate decisions. Neither the Trustee Board, the Company nor the Scheme Administrators are legally allowed to provide advice on investment or pension matters. IFA Promotions Limited offers an internet site that will provide members with contact details of Independent Financial Advisers in your area. If you are interested in obtaining contact details you can do so by visiting: www.unbiased.co.uk

Getting in touch

We hope the information contained in this issue of Plan Your Future 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:

Administrators: **0845 300 2967** or
+ 44 207 806 8908 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