

## LAFARGE PENSIONS

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bringing materials to *life*

PENSIONS

# PensionsTalk

The newsletter for members of the Lafarge UK Pension Plan

December 2012



 **LAFARGE**  
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# Welcome

Welcome to *PensionsTalk*, the annual newsletter from the Trustee of the Lafarge UK Pension Plan.



The 2012 valuation is now under way. The valuation provides a snapshot comparison of the Plan's assets with its liabilities. It is too early to say what the funding position will be, but the Plan will continue to show a deficit. The Trustee and Lafarge are already in preliminary discussions about what action to take, and we will report back when the valuation report and the discussions have been completed.

With the closure of Final Pay accrual during 2011, we have renewed focus on DC issues for the benefit of contributing members.

In this issue, we give you the results of the PCC election and introduce you to your new representatives. Many thanks to those of you who got involved in the process.

Finally, many thanks to my fellow Trustee Directors who dedicate a lot of time and effort on behalf of the members and also thank you to the Pensions Team in Dorking for the support they give us and to the investment team in London for their continued positive contribution.

Norman Braithwaite  
Chairman

## Joint venture update

Many members of the Plan will be aware of the potential joint venture in the UK between Lafarge and Tarmac (owned by Anglo American).

It has now been announced that an agreement has been reached with Mittal Investments, to purchase the new business that has been created by the divestment of certain Lafarge and Tarmac sites. This agreement fulfils one of the conditions laid down by the Competition Commission when it approved the proposed joint venture in May 2012. Completion of the new business sale agreement still needs final regulatory approval but now allows steps to be taken for the joint venture to receive full approval from the Competition Commission. It is anticipated that both businesses will commence operations simultaneously in early 2013.

Contributing members of the Plan will be informed of any implications to their future pension arrangements if and when there is anything to report. In the meantime they will continue to contribute to PensionBuilder*plus*.

Pensioners and deferred pensioners can be reassured that the Trustee and the Pensions Team in Dorking will continue with business as usual.



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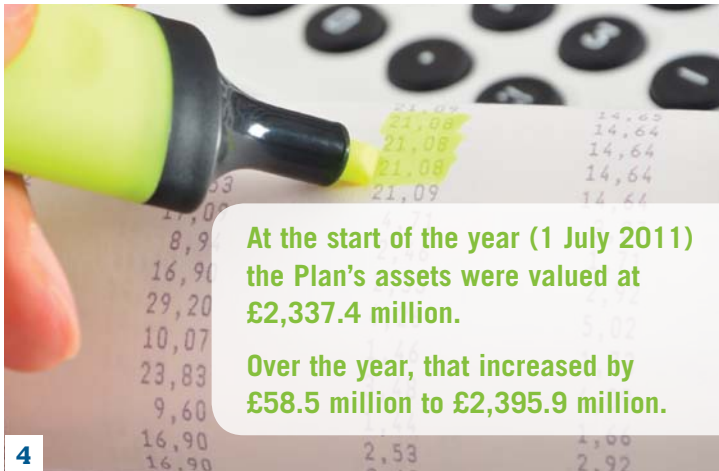
# Plan finances

Every year, the Trustee produces a Report & Accounts for the Plan, which sets out the money coming into and being paid out of the Plan. The key figures for the year to 30 June 2012 are summarised on the right.

The information is taken from the full Report & Accounts for the year ended 30 June 2012, which have been audited by KPMG, the Plan's independent auditor. You can view or download a copy from the Lafarge Pensions website or request one from the Pensions Team (see page 16).

Income in the year up to 30 June 2012			
	Final Salary	Money Purchase	Total
The company paid in...	£17.3m	£7.3m	£24.6m
PenXchange contributions paid on behalf of members...	£1.9m	£2.3m	£4.2m
Money Purchase members paid in...	-	£1.1m	£1.1m
Investment income	£60.3m	-	£60.3m
Other income	£1.0m	£0.3m	£1.3m
<b>Total income</b>	<b>£80.5m</b>	<b>£11.0m</b>	<b>£91.5m</b>

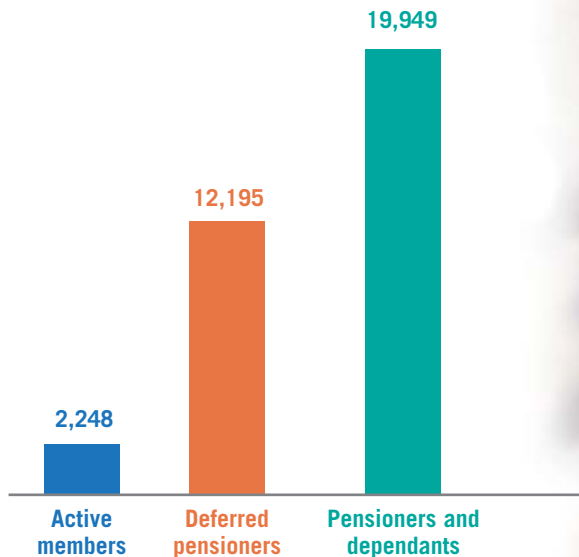
Expenditure in the year up to 30 June 2012			
	Final Salary	Money Purchase	Total
Pensions paid ...	£111.1m	-	£111.1m
Tax-free lump sums taken...	£7.8m	£0.2m	£8.0m
Death benefits...	£0.9m	-	£0.9m
Payments in respect of leavers	£1.7m	£2.0m	£3.7m
Administration costs...	£2.2m	£0.1m	£2.3m
Pension Protection Fund and similar levies	£0.8m	-	£0.8m
Investment managers' fees...	£3.8m	-	£3.8m
<b>Total expenditure</b>	<b>£128.3m</b>	<b>£2.3m</b>	<b>£130.6m</b>



# Who is in the Plan?

During the year under review, the Plan's membership fell by around 900. Around 300 active members left the Plan on 31 March 2012, following the sale of the Plasterboard business.

At 30 June 2012, the membership was as follows:



From 31 October 2011, the Final Pay section of the Plan closed to future accrual, and the active Final Pay members were transferred to the Money Purchase section of the Plan.

# Investment perspective (Final Pay section)

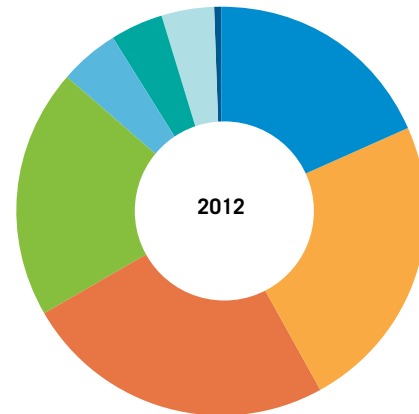
Investing the assets is a very important part of managing the Plan. The assets in the Final Pay section are held in a common fund and invested by the Trustee.

This is a complex area, and the Trustee has specialist advisers to help. The Trustee regularly considers the allocation of the Plan's assets that support the Final Pay section.

One of the key issues that the Trustee has recognised is that, as the Final Pay section of the Plan matures, more and more of its liabilities will be made up of pensions in payment. As a result the Trustee has aimed to increase investments in fixed-income investments such as gilts (UK Government bonds), and decrease investment in return-seeking investments, such as equities (stocks or shares in companies).

## Types of investments

The chart shows how the Final Pay section's assets were invested at 30 June 2012.



### Asset

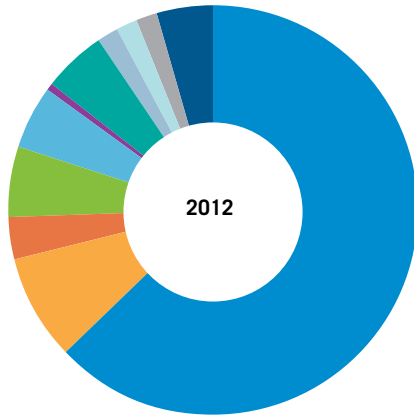
Equities – UK	18.4%
Equities – Overseas	23.7%
Fixed Interest	24.7%
UK Index-Linked	19.6%
UK Property	4.8%

Private Equity	4.2%
Other managed funds	4.1%
Cash deposits and other assets	0.5%



## Our managers

At 30 June 2012, the Plan's investment managers and their respective holdings were as follows:



■ Lafarge Investment Management	63.0%	■ BNP Paribas Real Estate	4.8%
■ Legal & General	8.2%	■ BlackRock	1.7%
■ Fidelity	3.5%	■ Nephila	1.8%
■ Invesco	5.4%	■ Rogge	1.7%
■ PIMCO	5.1%	■ Pantheon	4.2%
■ M&G/Prudential	0.6%		

## Investment returns

In the 12 months to 30 June 2012, the Plan's Final Pay assets produced a return of 7.1%, compared with a target return of 6.3%.

The annualised returns for one, three and five years have been as follows:

	The Plan (%)	Benchmark (%)
<b>1 year</b>	<b>7.1</b>	<b>6.3</b>
<b>3 years</b>	<b>12.6</b>	<b>12.4</b>
<b>5 years</b>	<b>5.5</b>	<b>4.8</b>





# DC Focus

## DC in numbers

Now the Plan has closed to Final Pay accrual, the numbers of contributors and the amounts of contributions to PensionBuilder*plus* have grown significantly.

**£25m+**

Total amount invested

---

**£1m**

Monthly contributions paid into PensionBuilder*plus*

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**2,200**

Active contributing members of PensionBuilder*plus*

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**1,120**

Deferred members of PensionBuilder*plus*

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**8**

Investment funds available

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## DC committee

The Trustee Board has five Committees, including the Defined Contribution (DC) Committee. The DC Committee, which is chaired by Steve Taylor (an elected PCC Director), enables the Trustee to focus on issues that are of particular relevance to members of PensionBuilder*plus*.

The Committee currently meets twice a year and is made up of Steve Taylor, Lynn Clarke, Nick Peall and Jenny Honeysett, supported by the Secretariat in Dorking.

The Committee periodically reviews the range of investment choices available to members and monitors the investment performance of the funds available. It is responsible for monitoring the DC administration at Dorking and for the appointment of Hargreaves Lansdown, the annuity service provider. Communications materials developed by the Pensions Team are reviewed by the Committee to ensure the messages are clear and members are aware of their options. If you have views on any of these issues please let us know.

## Investment options

PensionBuilder*plus* offers members a choice of investment funds, all managed by Legal & General Investment Management Ltd.

Many members choose to invest in the Lifestyle arrangement. The Lifestyle arrangement directs contributions to the Global Equities Fund until seven years before the member's selected retirement age. From this point, funds are automatically switched from the Global Equities Fund to the Pre-Retirement Fund and any new contributions are also paid into the Pre-Retirement Fund. Around two years prior to a member's selected retirement age, part of the personal investment account may be switched to the Cash Fund, as will future contributions.

For members who wish to make their own investment decisions, a Self Select approach enables members to tailor their investment choices to suit personal circumstances and to invest in one or more of a range of seven funds available as follows:

- UK Equities Fund: aims for mid to long-term growth and invests in a range of UK equities.
- Overseas Equities Fund: aims for mid to long-term growth and invests in a series of pooled overseas equity funds, and is Sterling Hedged to protect against currency movements.
- Government Bonds: aims for some protection against changes in fixed annuity prices and invests in the UK gilts market.
- Corporate Bonds: aims for protection against changes in fixed annuity prices and invests mainly in long dated, sterling denominated corporate bonds.

- Pre-Retirement Fund: aims for good protection against changes in fixed annuity prices and invests in a range of corporate bonds and gilts that reflect the investments underlying a typical, traditional non-inflation-linked pension annuity.
- Index-Linked Government Bonds: aims for good protection against inflation and changes in inflation-linked annuity prices, and invests in medium and long-term index linked gilts.
- Cash Fund: aims for capital protection (rather than long-term growth) and is invested in cash deposits and other short-term investments.

With the advice of their investment consultants, the Trustee monitors these funds. The value of units in these funds can go down as well as up. Further details of all these funds (including an indication of the level of investment risk) can be found in our investment booklet, *Pension Investments*.

Detailed factsheets (and up to date performance figures) can be found via the Plan's website [www.lafargeukpensions.com](http://www.lafargeukpensions.com).

Members who wish to Self Select may instruct the Pensions Team in Dorking to change contributions or switch investments at any time.

## DC investment returns

In the periods prior to 30 September 2012, the annualised returns achieved by these funds were as follows.

	1 year	3 years	5 years
Global Equity Fund (Lifestyle only)	18.55%	N/A	N/A
UK Equities Fund	17.27%	8.06%	1.78%
Overseas Equities Fund	20.61%	6.61%	-2.25%
Government Bonds Fund	12.94%	10.59%	10.04%
Corporate Bonds Fund	14.68%	9.89%	8.27%
Pre Retirement Fund	14.59%	10.01%	8.50%
Index-Linked Government Bonds Fund	4.96%	9.27%	8.19%
Cash Fund	0.5%	0.46%	1.65%

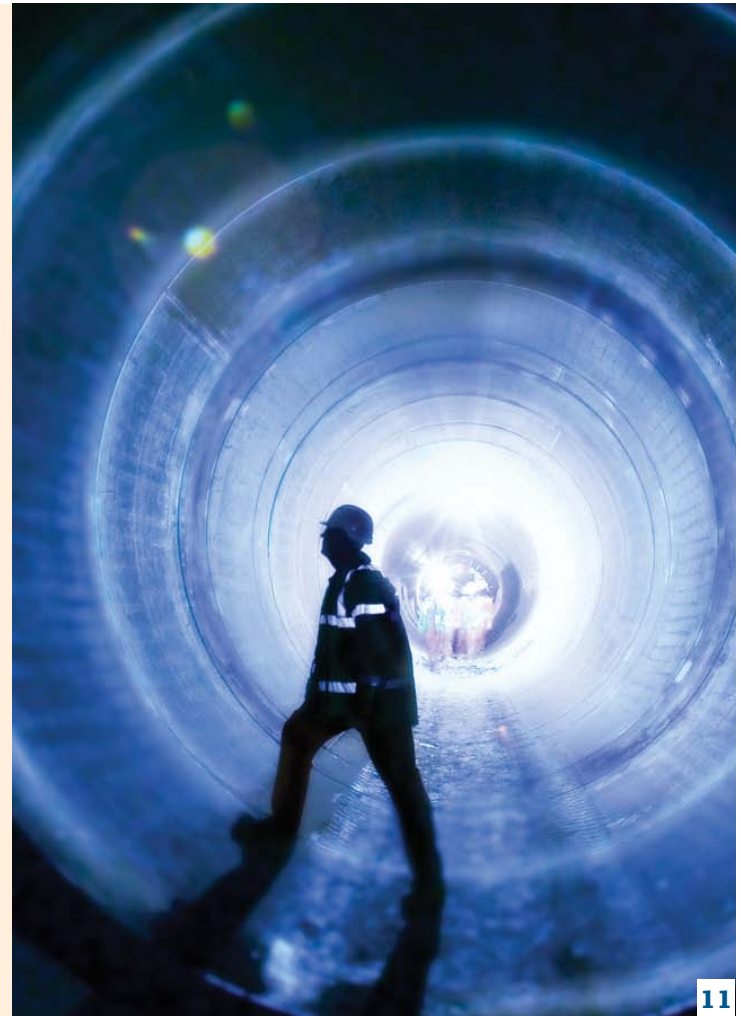
## Investing in a falling market

The December 2009 issue of *Pensions Talk* included an article to explain the process of Pound Cost Averaging, achieved by contributing regular payments over an extended period of time. While investment markets are low, regular contributions have more purchasing power and by maintaining the same level of contribution, you can buy more units at lower prices. You can read the article online, by downloading the 2009 newsletter from the Lafarge Pensions website.

## Retirement planning

The PensionBuilder*plus* section of the Lafarge Pensions website has a number of tools to help you plan for retirement. By putting in details of your current contribution rate and value of your personal investment account, you can get a feel for whether you are paying enough contributions.

As retirement approaches, it is also important to understand how to convert the investment fund in your PensionBuilder*plus* account into a pension (also known as an annuity). The Hargreaves Lansdown annuity tool (available on the Retirement Planning section of our website) enables you to experiment with the options available, based on current annuity rates.



# Pensions news

## A clean record

The Lafarge Pension Plan has always recognised the need to build up and maintain complete and accurate records for all members. The more accurate our data, the less likely it is that mistakes will be made in the calculation and payment of benefits.

The Trustee now receives a regular update from the Pensions Team, to monitor the accuracy of record keeping.

The Pensions Team runs a series of checks to ensure the accuracy of data such as addresses and postcodes, and systematically checks pensioner records against the national Death Register. This helps to quickly identify pensioners who have passed away, which reduces the likelihood of people defrauding the Plan by continuing to claim the pensions of deceased members. Please remember to keep the Pensions Team advised of changes to your circumstances, when you move address, or get married.

## Changes at HMRC

From April 2013, HMRC is changing the way pensioners' payment and tax details are reported to it. Instead of telling HMRC about pension payments and tax deduction at the end of each tax year, the Lafarge Pensions Team will be required to supply this information every month. This is called 'Real Time Information' (RTI).

RTI is expected to make it possible for HMRC to collect the right amount of tax from each of us during the year, rather than playing catch up in subsequent years.

RTI will also support the new Universal Credits by providing the Department for Work and Pensions (DWP) with up-to-date information about a claimant's income, so it can calculate the correct Universal Credit payment. It is anticipated this will help prevent fraudulent benefit claims.

As a Lafarge pensioner, you will not see or be aware of any difference to your pension payments, but if you were to claim Universal Credits you should find the DWP has more accurate and up-to-date information.

## 2012 valuation

Every three years, the pension scheme must undergo a valuation. The last full valuation in 2009 found the Plan, in common with many UK pension schemes, to be in deficit. Annual updates in 2010 and 2011 noted some improvement in the funding level, but an uncertain economic climate means the Trustee continues to monitor and manage the Plan's assets and liabilities very carefully.

The 30 June 2012 valuation is now under way against a background of uncertain investment markets and liabilities that continue to increase, in particular as the life expectancy of members improves.

Because the valuation is in progress, the Trustee Board does not have to issue a Summary Funding Statement this year. However when discussions are concluded, the results of the 2012 valuation will be available in the middle of 2013 and a special edition of *PensionsTalk* will be issued to confirm the outcome.

## Member communications

A recent communications review has resulted in a few changes to the way we keep members informed.

Contributing members of PensionBuilder*plus* will receive the new style Benefit Reports with this issue of *PensionsTalk*. If you are a former Final Pay member, your Report incorporates an update of both your Final Pay deferred pension and your current PensionBuilder*plus* benefits.

Deferred PensionBuilder*plus* members will also receive a personalised update with this issue of *PensionsTalk*.

If required, deferred Final Pay members can ask for an update of their deferred pension, by contacting the Pensions Team.

Pensioners will receive confirmation of pension increases through messages that appear on Payment Advices (Pay Slips) in the month that their pension is increased.

Our intention is to maintain contact with members but to keep print and postage costs to a minimum.

Please let us know how we can improve these methods of keeping in touch.

# PCC elections

The Pensions Consultative Council (PCC) triennial elections were held during 2012. The new representatives took office on 1 October 2012 and will serve until the next election, which is due to take place in 2015.

Elections were held in the Aggregates (including Shared Services) active constituency and in both pensioner constituencies, with a turnout of 38%.

If you wish to contact your PCC representative, you will find their contact details on the Lafarge Pensions website, or contact the Pensions Team in Dorking.

The PCC provides a forum for discussion on pension topics between elected member representatives of the Plan and representatives of the Lafarge UK companies. The PCC also elects four Directors to the Board of the Plan Trustee.

## Your PCC representatives are:

Active – Cement	Mark Jelf Paul Hunter
Active – Aggregates and Shared Services	Steve Taylor Lynn Clarke Tim Onions
Pensioner – Former Lafarge Redland	Arthur Cunningham Robert Napier
Pensioner – Non Lafarge Redland	Tommy Grieve Paul Siggers Les Waining

The four current PCC Trustee Directors and the date their current term ends are:

Steve Taylor – 1 October 2013

Lynn Clarke – 1 October 2014

Paul Hunter – 1 October 2014

Arthur Cunningham – 1 October 2015

David Calow, Peter Shaw, Mel Turner and Bob Stevens have now retired from the PCC. The PCC wishes to thank them for their services.

# Contact Link

The aim of the Pensioner Contact Link scheme is to offer retired employees a continuing link with Lafarge.

This is achieved through a team of volunteers (all former employees) who keep in touch with our pensioners, often visiting them in their homes at least once a year. However, in certain circumstances, more frequent visits are made, such as in times of illness, bereavement or whenever extra help or support is required.

If you are a pensioner and have a few hours to spare, have an interest in other people and their welfare and enjoy chatting, have you considered volunteering to be a visitor?

Alternatively, if you wish to get involved but are unable, for one reason or another, to travel around visiting people, you may consider becoming a telephone befriender.

We would be delighted to hear from you if you are interested in becoming a volunteer visitor or telephone befriender.

More information is available from the Contact Link team in Dorking (see details below) or on the Lafarge Pensions website: [www.lafargeukpensions.com](http://www.lafargeukpensions.com).

Telephone: 01306 872151

Email: [val.corby@uk.lafarge.com](mailto:val.corby@uk.lafarge.com)

Write to: Pensioner Contact Link, Lafarge UK Pensions, Regent House, Station Approach, Dorking RH4 1TH

