

DC Investment

Special Update



Inside...

Welcome to a special DC investment update from the Trustee of the Scheme. This update tells you more about:

- How we have been monitoring the Scheme's investments and how they have been performing.
- Some important changes to the Scheme's investments.

If members are investing in one of the Lifestyle options, or the **HIPS Passive Diversified Fund** or **HIPS Active Diversified Fund** as a Self-Select option, the investment mix used for their pension savings will automatically change. **Read more on pages 3-5.**

Hanson Industrial Pension Scheme Defined Contribution (DC) Section ("the Scheme")

April 2018

Review of the default investment option

The Trustee, working with our investment advisers, check all of the Scheme's investment options regularly to make sure that they are performing in line with our expectations and that they continue to meet the needs of our membership. In our most recent review, we looked at the Scheme's default investment option, called the **HIPS Drawdown Lifestyle**. We have concluded it continues to perform well and remains the most suitable default investment option for our membership as a whole. As a reminder, members' pension savings are invested in the default investment option if they don't make a different choice.

Changes to the Lifestyle and Self-Select options

We have considered how the significant political and market changes over the past few years, both domestically and across the globe, have impacted members' investments. The pound has fallen significantly compared with most foreign currencies and the future outlook is very uncertain.

With this in mind, we have decided to make some changes to the investment mix used in the three Lifestyle options. These are the default option, called the **HIPS Drawdown Lifestyle** as well as the **HIPS Cash Lifestyle** and the **HIPS Annuity Lifestyle**. These Lifestyle options use pre-selected investment funds for your pension savings. The changes will reduce the risk that fluctuations in currency exchange rates could cause the value of overseas equity investments to fall when they are converted back to pounds sterling, particularly for members approaching retirement.

We have also decided to introduce some new assets into the Lifestyle options. We are adding infrastructure and emerging markets investments and are making some changes to the mix of investment managers used. The aim of all of these changes is to increase the likelihood of good outcomes for members at retirement. You can find out more detail on pages 3-5.

We have also decided to add a new fund to the range of Self-Select investment options available and there is more information about this on page 6.

We hope you find this investment update useful and informative. If you have any questions, please contact the Scheme administrator, Capita (see page 8).

Graham Wardle
Chairman of the Trustee

Members do not need to take any action as a result of these changes but they can review and update their investment choice at any time by visiting Hartlink (see page 8).

A reminder about the Scheme's Lifestyle options

There are three Lifestyle options for members:

- The **HIPS Drawdown Lifestyle** is designed for members who want a flexible retirement income that allows them to spread the amount and timing of withdrawals of their pension savings.
- The **HIPS Cash Lifestyle** is designed for members who plan to take all of their pension savings as a cash lump sum at, or close to their Target Retirement Age.
- The **HIPS Annuity Lifestyle** is designed for members who plan to use up to 25% of their pension savings for a tax-free cash sum and the balance to buy an annuity (an income for life).

The Scheme's Lifestyle options use pre-selected investment funds for members' pension savings. Each Lifestyle option automatically changes the investment mix used as members approach their Target Retirement Age (the age that a member has selected to access their pension savings) with the aim of reducing risk and therefore providing more certainty of the benefits that these pension savings may provide. They do this in two different phases: the growth phase and the switching phase.

You can read about the Lifestyle strategies in more detail (including how each option is designed for each of the different ways members can take their benefits at retirement) in the Scheme's investment guide available at www.hansonpensions.co.uk. Click the link to access the site

The growth phase: The aim of the growth phase is to achieve good long term growth for members' pension savings that at least keeps up with inflation.

The switching phase: When members are within eight years of their Target Retirement Age, the switching phase begins. The three Lifestyle options each use a different investment mix in the switching phase.

Reducing risk for overseas equity investments

A new fund is being added to the Scheme's three Lifestyle options: the **HIPS World Equity (Currency Hedged) Fund**. In all three of the Scheme's updated Lifestyle options, this new fund will be used in the growth and switching phases, reducing holdings in the HIPS World Equity Fund. The aim of this is to reduce the risk of members' pension savings falling because of changes in currency exchange rates as they approach their Target Retirement Age.

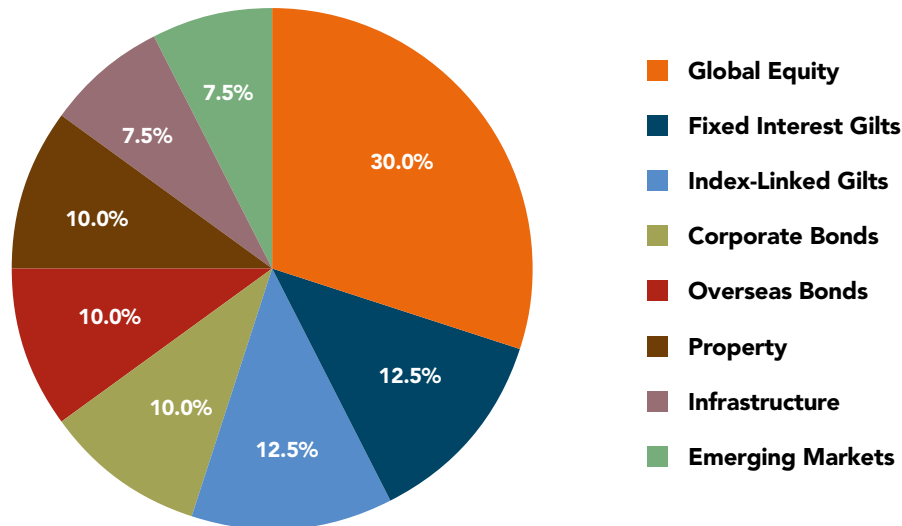
Updating the HIPS Passive Diversified Fund and HIPS Active Diversified Fund

The **HIPS Passive Diversified Fund** and **HIPS Active Diversified Fund** are important parts of the Scheme's three Lifestyle options and are also available as Self-Select funds. These funds aim to provide long-term growth whilst "smoothing-out" some of the equity market's highs and lows.

The **HIPS Passive Diversified Fund** uses a mix of different types of investment, including equities, bonds and property. It has been decided to add infrastructure and emerging market investments to increase the diversification of the fund and so better smooth out equity market fluctuations. Fidelity will sell some equities and bonds to fund the new infrastructure and emerging market investments.



The new investment mix of the HIPS Passive Diversified Fund is shown in the chart below.



The **HIPS Active Diversified Fund** uses the Standard Life Global Absolute Return Strategies Fund to invest in a range of different investment types in the UK and overseas. The Baillie Gifford Multi Asset Growth Fund will now be added to the HIPS Active Diversified Fund. The new investment mix of the HIPS Active Diversified Fund will be 50% Standard Life Global Absolute Return Strategies Fund and 50% Baillie Gifford Multi Asset Growth Fund. Having a mix of two investment managers helps increase the diversification of the HIPS Active Diversified Fund.

You can read more about the different types of investment (including active and passive investment management approaches) in the Scheme's investment guide (available at www.hansonpensions.co.uk).

These changes will be made in **May and June 2018**. Members' pension savings invested in the **HIPS Passive Diversified Fund** or **HIPS Active Diversified Fund** (either through the Lifestyle options or as a Self-Select option) will automatically change during this period. The changes will automatically apply to any pension savings already invested in these funds, any future contributions directed to these funds and any future investment switches into either fund.

There will be a "blackout period" from 21 May 2018 to 20 June 2018 while these changes are made. You will not be able to request any changes to your investment choices during the blackout period.

If you want to update your investment choices before the changes are made, you need to do so before the blackout period starts.

Your other investment option – the Self-Select funds

The Scheme's range of Self-Select investment funds allows you to choose investment funds for your pension savings that reflect your financial aims and circumstances. You can create and manage an investment strategy by choosing which of the Self-Select funds to use, how much to invest in each one and the timing of any investment fund switches.

You may want to consider using the Self-Select approach if you have investment experience, are comfortable choosing between different types of investment available and have a clear view of your retirement objectives and attitudes to investment risks.

The Scheme's Self-Select investment funds include equity, bond and cash funds as well as those that can hold a diverse range of asset classes. The new **HIPS Property Fund will be added** to the range of Self-Select funds. The full range of Self-Select investment funds and their charges is below.

You will be able to choose the new HIPS Property Fund from 20 June 2018, at the end of the blackout period.

Fund name	Invests in	Style of management	TER* (% pa)
HIPS UK Equity	UK equities	Passive	0.12
HIPS World Equity	Global equities	Passive	0.12
HIPS Active Diversified	A wide range of diversified asset classes	Active	0.66
HIPS Passive Diversified	A wide range of diversified asset classes	Passive	0.21
HIPS Fixed Interest Gilts	Over 15 years fixed interest gilts	Passive	0.12
HIPS Index-Linked Gilts	Over 5 years index-linked gilts	Passive	0.12
HIPS Corporate Bonds	Corporate bonds	Passive	0.13
NEW HIPS Property	UK commercial property	Active	0.48
HIPS Money Market	Cash and money market	Passive	0.20

*The Total Expense Ratio (TER) is a charge for the management of the funds. It is made up of each investment fund's annual management charge plus any additional annual expenses at 13 March 2018. The additional annual expenses cover, for example, the cost of auditing the investment fund and can change from time to time. This means that the TER can also change over time. The TER does not include transaction costs which arise when investments are bought and sold, for example, stamp duty (tax) and brokerage costs that are incurred by the fund manager when trading certain investment funds.

Keep track of your Scheme investments

You can select an investment approach from the wide range provided by the Scheme. It's important to regularly monitor your investment choice to make sure that it continues to match your personal circumstances and financial aims.

You can check and update how your pension savings are invested by visiting Hartlink - <http://www.hartlinkonline.co.uk/hanson> - and logging into your Account.

Your Target Retirement Age is important

You should regularly review the age that you have selected to take your benefits, called your Target Retirement Age. **You should visit Hartlink (see above) to check and update your Target Retirement Age.**

What are the risks of not keeping my Target Retirement Age up to date?

If your pension savings are invested in one of the Scheme's Lifestyle options, and you take them before your Target Retirement Age, you will be using your pension savings before the automatic investment switching is complete. This may mean that when you come to retire, more of your pension savings will be invested with the aim of achieving growth than was planned. This increases the risk that the value of your pension savings may fall sharply shortly before you access them.

If your pension savings are invested in one of the Scheme's Lifestyle options, and you take them after your Target Retirement Age, they will have been completely switched to investments with lower expected growth sooner than intended, meaning that you may miss out on some potential growth.



Your questions

If you have any questions or need information about the Scheme or your options, please contact the Scheme administrator:



Capita Employee Benefits Limited
Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL



Email: **hanson@capita.co.uk**



Tel: **0345 6000 591**

This update is for information only and does not give the right to benefits. The Hanson Industrial Pension Scheme is governed by a Trust Deed and Rules. Every attempt has been made to describe accurately the provisions of the Scheme in this update as they apply to members. If any inconsistencies arise between this update and the Trust Deed and Rules governing the Scheme, then the Trust Deed and Rules will prevail. This update is based on pensions and tax legislation at January 2018.

The value of your pension savings is not guaranteed and will fall and rise in line with the price of the investment funds used for your investment choice.

Please note that this update does not constitute financial advice. The Trustee and the Scheme administrator cannot provide you with financial advice.

The Trustee will keep the range of investments described in this guide under review and may, from time to time, make changes to the funds including removing some or all of the options.