Hanson Industrial Pension Scheme (Defined Benefit Section)

Summary funding statement at 31 December 2014

Why have you sent me this Summary Funding Statement?

HIPS (Trustees) Limited (the "Trustees") look after the Hanson Industrial Pension Scheme (the "Scheme") on behalf of its members. In this note, the Trustees are providing you with an update of the financial position of the defined benefit section of the Scheme. Please take a few minutes to read it, as it will help you understand the financial arrangements which support your current or future pension benefits.

The Summary Funding Statement relates to the defined benefit section of the Scheme only, and therefore references in this note to the Scheme, its assets and its liabilities mean those of the defined benefit section only.

How is the Scheme's financial security measured and how do the Trustees know what contributions should be paid to the Scheme?

The estimated cost of providing the benefits which you and other members have earned to date is known as the Scheme's "liabilities".

The Trustees collect contributions from the employing companies (collectively the "Company") and invest them. The Scheme also received contributions from active members until final salary benefits ceased to accrue on 30 September 2010. The contributions are invested in a communal fund, not in separate funds for each individual.

To measure the Scheme's financial security, the Trustees compare the value of its liabilities to the value of its assets (i.e. the value of accumulated contributions and investment returns). If the Scheme has more liabilities than assets it is said to have a funding "shortfall" or "deficit". If the assets are more than the liabilities then there is said to be a "surplus".

The Trustees undertake an in-depth look at the Scheme's finances (known as a "valuation") at least every three years. The valuation is carried out by an independent actuary using assumptions that are agreed by the Trustees and the Company. When the valuation is completed the Trustees receive a report summarising the actuary's conclusions which is available to you if you wish to read it.

Following each actuarial valuation, the actuary advises what contributions should be paid into the Scheme to enable the Scheme to meet its liabilities to members. Contributions are required to:

- Address any shortfall in the Scheme;
- To meet the cost of ill health, redundancy and death in service benefits accruing for members who are still employed by the Company; and
- To meet the Scheme's expenses and any statutory levies that are payable.

The Trustees then agree a level of contributions for the Scheme with the Company and record this in the Schedule of Contributions.

Details of the Trustees' approach to the valuation are set out in the Statement of Funding Principles. This document describes how the Trustees will manage the Scheme with the aim of it being able to meet its liabilities as these fall due.

The Trustees also receive from the actuary more regular and less formal "funding updates" to monitor the development of the Scheme's assets and liabilities.

What was the Scheme’s financial position at the most recent formal valuation?

A formal valuation took place at 31 December 2012. The valuation at 31 December 2012 showed that:

The value of the liabilities was	£1,689 million
The value of the assets was	£1,437 million
Which meant there was a shortfall of	£252 million

What contributions are the Company making?

As part of the 31 December 2012 valuation, the Trustees and Company agreed a new correction plan in order to make up the shortfall calculated at 31 December 2012. This plan requires the Company to pay shortfall contributions of £13.8 million a year, in equal quarterly instalments of £3.45 million.

Contributions will continue at this rate until 1 July 2025, by which time, if the assumptions that have been made are borne out in practice and the Scheme's assets produce the returns that are assumed, the funding level will have returned to 100%.

Additional contributions may also be payable depending on the future profitability of the Hanson UK businesses.

The Company is also contributing 2.0% of monthly Pensionable Salaries of those members who are still employed by the Company and who were active members of the defined benefit section when benefits ceased to accrue on 30 September 2010, in order to meet the cost of ill-health, redundancy and death in service benefits. The Company also contributes £437,500 per quarter for the expenses of administering the defined benefit section and meets the levies due to the Pension Protection Fund.

How has the funding position of the Scheme changed between the most recent Summary Funding statement and 31 December 2014?

When we last sent you a summary funding statement we reported that the Scheme was estimated to have a shortfall of £74 million at 31 December 2013.

Although not a formal valuation, the most recent funding update was carried out at 31 December 2014. On this date:

The estimated value of the liabilities was	£1,889 million
The value of the assets was	£1,766 million
Which meant there was an estimated shortfall of	£123 million

The main reason for the increase in the Scheme’s estimated shortfall between 31 December 2013 and 31 December 2014 is a worsening of financial conditions over this period, in particular falls in fixed interest and index-linked gilt yields which have increased the value of the liabilities. This has been partly offset by returns on the Scheme's assets being higher than expected and shortfall contributions paid into the Scheme.

The next Summary Funding Statement will report the results of the actuarial valuation at 31 December 2015.

Is my pension guaranteed?

The Trustees' aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends in part on the Company carrying on in business and continuing to pay for the Scheme.

If the Company ceases to continue in existence or decides to stop paying for the Scheme, it is expected to pay the Scheme enough money to enable the Scheme to secure all of the benefits built up by members with annuities provided by an insurance company. This is known as the Scheme being "wound-up".

The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "solvency position". Insurance companies include margins for expenses and profit in the prices quoted for annuity rates.

The assumptions used for the Scheme's formal valuation and funding updates (as described earlier in this document) are not therefore the same as those used by insurance companies in pricing annuities.

What happens if the Scheme is wound-up and there is not enough money to secure all my benefits with an insurance company?

If the Scheme winds up without enough money to buy all the benefits with an insurer then you are unlikely to receive the full benefits you were expecting.

To help members in this situation, the Government set up the Pension Protection Fund ("PPF") which came into effect on 6 April 2005. The PPF pays a defined level of benefits to members of eligible UK pension schemes which are wound-up when the scheme (a) does not have enough money to cover the cost of buying this level of benefits for members with an insurer and (b) the company is insolvent and so cannot provide extra finance.

If the Scheme were to be wound up and there were insufficient assets to secure benefits that were at least equal to the compensation available from the PPF, then the Scheme would go into the PPF. The pension you would then receive from the PPF may be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned. Pension increases are lower under PPF rules than under the Scheme rules.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?

If the Scheme had wound-up at 31 December 2012, the Scheme's assets would not have been sufficient to pay for the full benefits of all members to be provided by an insurance company. The Scheme was estimated to have needed £2,156 million to ensure members' benefits could be paid in full, so there was a shortfall of £719 million, and the solvency funding level of the Scheme at 31 December 2012 was therefore 67%.

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Scheme. It is just another piece of information to help you understand the financial security of your benefits.

Can I leave the Scheme before I am due to retire?

If you are no longer employed by the Company and you have still to retire, your pension benefits may be left in the Scheme to be paid at retirement; alternatively you can transfer your pension benefits to another pension arrangement.

If you are thinking of transferring your benefits for any reason, you should consult an independent financial advisor before taking any action. The Trustees cannot provide you with financial advice.

Other information

We are also required to tell you that there have not been any payments to the Company out of Scheme funds in the last 12 months.

The Scheme is closely regulated by the Pensions Regulator, whose role is to improve confidence in work-based pensions by protecting members' benefits and encouraging high standards and good practice in running pension schemes.

Details of the 2012 valuation outcome were supplied, as required, to the Pensions Regulator. The Pensions Regulator has not exercised its powers under section 231 Pensions Act 2004 to give directions to the Trustees about contributions payable to the Scheme or the valuation of the Scheme's liabilities, or requiring changes to Scheme benefits.

Where can I get more information?

If you have any other questions, or would like any more information, including a copy of any of the documents mentioned in this statement, then please contact the Trustees (see below for details).

Contacting the Trustees and changes to your personal circumstances

We would like to remind you that it is important that you keep us informed about any changes to your personal circumstances – for example, if you get married or divorced, have children or move house. If you don't, the Trustees may find it difficult to continue to send you information about the Scheme and to pay your benefits when the time comes. So if any of your personal details change, please advise us. The Trustees can be contacted via

Hanson Industrial Pension Scheme
Capita Employee Benefits Limited
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL

Telephone: 0845 600 0591

Email: Hanson@capita.co.uk

Additional documents available on request

The Statement of Funding Principles
This explains the Trustees' approach to the valuation and how the Trustees plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

The Recovery Plan
This sets out the plan of action for correcting the shortfall revealed at the 31 December 2012 valuation.

The Statement of Investment Principles
This explains how the Trustees invest the money paid into the Scheme.

The Schedule of Contributions
This shows how much money is being paid into the Scheme by the Company and the contributing members, and includes a certificate from the actuary showing that it is sufficient to meet the requirements set out by law.

The Annual Report and Accounts
This shows the Scheme's income and expenditure in the relevant year.

The Formal Actuarial Valuation Report as at 31 December 2012
This contains the details of the actuary's check of the Scheme's situation as at the latest formal actuarial valuation date.

The Actuarial Reports as at 31 December 2013 and 31 December 2014
These contain the details of the actuary's assessment of the Scheme's situation as at 31 December 2013 and 31 December 2014.