Hanson Industrial Pension Scheme (HIPS)
Guide to the transfer

This guide explains the changes we are making to the HIPS investment options which will be available to you from 14 November 2014.

Please read this guide together with the covering letter that sets out any changes that will be made to your Account.

The Trustee, together with our investment advisers, has carried out a detailed investment review. This has enabled us to conduct a comprehensive analysis of the existing investment options available through HIPS and across the defined contribution (DC) investment market with the goal of ensuring that the options available continue to meet the needs of the HIPS membership.

A key reason for the investment review was the Government's announcements and proposals made in the 2014 Budget. As mentioned in the Chairman's recent notice, as a DC member you will have much greater flexibility about how you take your pension benefits in the future. The changes are intended to provide you with investment options that can be tailored to your personal circumstances and retirement plan.

If you have any questions about the changes after reading this guide, please see page 11 for details of how to contact Capita Employee Benefits.

About the changes
New Lifestyles –from November 2014

The Trustee is introducing three lifestyle strategies that are tailored to target different income options on retirement:

1. HIPS Drawdown Lifestyle

This lifestyle is intended to provide for members who want to drawdown income at retirement.

2. HIPS Annuity Lifestyle

This lifestyle is intended to provide for members considering buying a pension for life (called an annuity) at retirement.

3. HIPS Cash Lifestyle

This Lifestyle is intended to provide for members planning to take their whole Account as cash on retirement.

The new lifestyle strategies have two different phases based on the time until your selected retirement age. If you are more than eight years from your selected retirement age the aim of the lifestyle strategies is to achieve good long term growth for your pension savings that at least keeps up with inflation. This is called the "growth phase" and is the same for all three lifestyle strategies.

The growth phase is invested as follows:

- Until 20 years before retirement, 80% of your Account will be invested in the HIPS World Equity Fund, 10% in the HIPS Active Diversified Fund and 10% in the HIPS Passive Diversified Fund.
- At 20 years before retirement, the proportion of your Account invested in each of the three funds above will start to change so that when you reach 8 years before your selected retirement date, 50% of your Account will be invested in the HIPS World Equity Fund, 25% in the HIPS Active Diversified Fund and 25% in the HIPS Passive Diversified Fund.

On reaching eight years before your selected retirement date, the allocation of investments within each of the three lifestyle strategies is tailored to target different income options on retirement.

Please see page 9 for an explanation of the difference between active and passive investment management.

What do you need to do?

If you are happy with how your Account will be invested then there is no need to take any action.

However, with the introduction of the new lifestyle strategies and three new Self-Select Funds set out below, you now have more choice and may wish to review your options. Your current investment options could still be right for your personal circumstances and retirement plans. You may however, decide that investing in one of the other options below better suits your needs.

Any time after 14 November 2014 you can view the new Investment Guide and have full access to the new investment options online at www.hartlinkonline.co.uk/hanson. You will also be able to review your Account and see the transfer via the transaction history page.

Introducing the new default lifestyle strategy HIPS Drawdown Lifestyle

From November 2014, the default lifestyle strategy will change as follows:

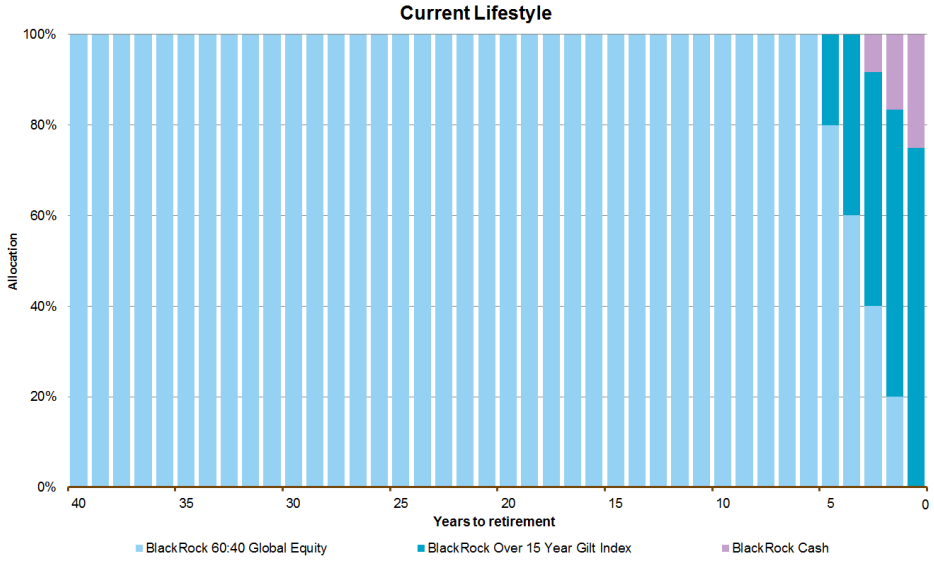
- The new default lifestyle strategy, the HIPS Drawdown Lifestyle, is designed to meet the objectives of a member who wants to drawdown income at retirement rather than purchase an annuity. Income drawdown allows you to choose the amount of retirement income to take in retirement. Providing this flexibility means that if you are invested in this lifestyle strategy your funds continue to be invested and the value can go up and down, consequently it does not guarantee a certain amount of income for life. In line with the current arrangement you would transfer your Account out of the scheme at retirement to a personal arrangement to provide for this.
- The lifestyle strategy will continue to switch between different funds at different times; however the new funds are intended to increase your Account's investment diversification and have the aim of helping to achieve a suitable balance between risk and reward at each stage of your life.
- The new lifestyle will not just invest in equities in the growth phase but will also invest in the HIPS Passive Diversified Fund and the HIPS Active Diversified Fund. These funds are highly diversified across a range of different asset classes, as they are able to not only invest in equities but other investments such as bonds and property.
- The new lifestyle will invest in the HIPS World Equity Fund rather than the current BlackRock 60:40 Global Equity Fund. The HIPS World Equity Fund is designed to participate in each of the equity markets around the world. This means there is no bias toward or against any single country as the amount invested in each country is in line with its market capitalisation (ie the total market value of the country's stock markets in proportion to their share of the global stock markets).
- The changes are made with the aim of providing you with a better risk/reward profile and consequently a higher probability of better retirement outcomes. However, increasing the diversification in the default lifestyle strategy means that the annual investment charge for the strategy is increasing in comparison to the current default lifestyle strategy.

- Two alternative lifestyle strategies will be available if you plan to buy an annuity (commonly called a pension) at the time your pension is payable or take your whole Account as cash at retirement.

Full details of how the current and future lifestyle options compare are set out below:

Current default lifestyle strategy

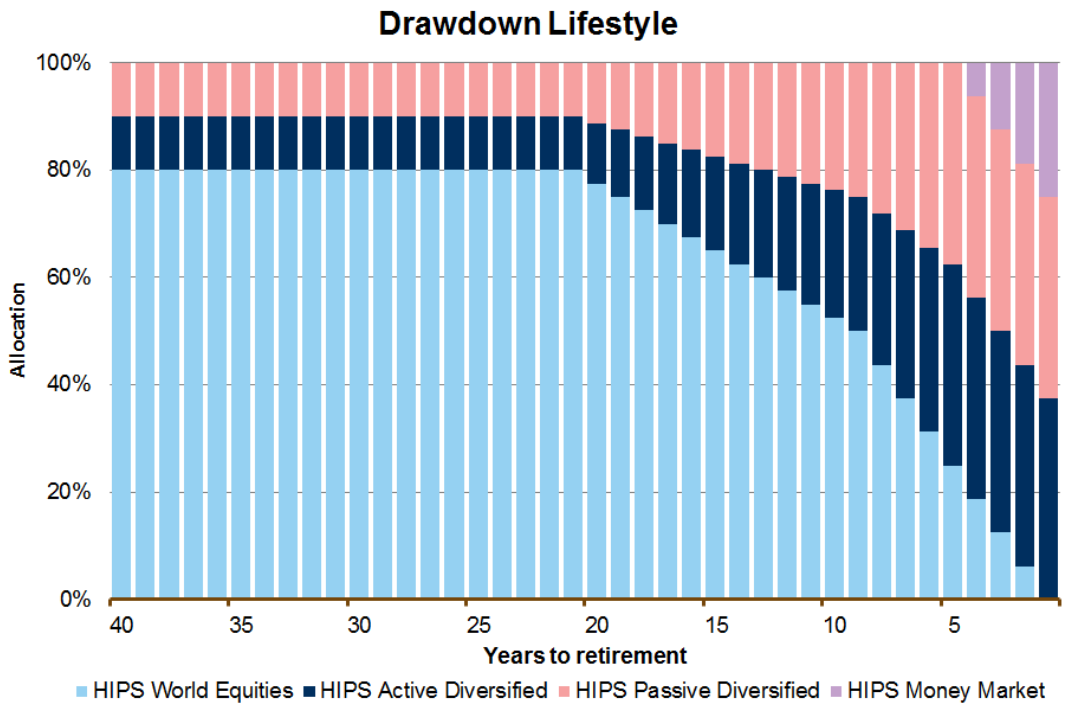
- Until five years before your selected retirement date, 100% of your Account is invested in the BlackRock 60:40 Global Equity Fund (which means 60% of the equities, or 'shares' of companies are invested in the UK and 40% are invested overseas).
- At this time, your Account gradually starts moving into the BlackRock Over 15 Year Gilt Index Fund.
- From three years before your selected retirement date, your Account switches into both the BlackRock Over 15 Year Gilt Index Fund and the BlackRock Cash Fund.
- When you reach your selected retirement date, 75% of your Account is invested in the BlackRock Over 15 Year Gilt Index Fund and 25% in the BlackRock Cash Fund.



HIPS Drawdown Lifestyle - new default lifestyle strategy

The HIPS Drawdown Lifestyle is designed to meet the objectives of a member who thinks it likely that they will want flexibility to choose the amount of income they receive from their Account each year in retirement, while still investing their retirement savings (so that it may continue to benefit from potential investment growth). Consequently if you invest in this lifestyle you will continue to invest in growth assets for longer than under the other two lifestyle strategies as the Trustee expects your Account will continue to be invested in some growth assets after retirement. As you approach retirement, your investments are gradually switched to lower investment risk assets that aim to provide more stability than the growth phase, whilst still aiming to generate returns in excess of inflation.

- Eight years before retirement, the proportion of your Account invested in each of the three funds above will change so that when you reach four years before your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.
- For the final four years before your selected retirement date, your Account will gradually move into the HIPS Money Market Fund, so that when you reach your selected retirement date, 37.5% of your Account will be invested in the HIPS Active Diversified Fund, 37.5% in the HIPS Passive Diversified Fund and 25% in the HIPS Money Market Fund.



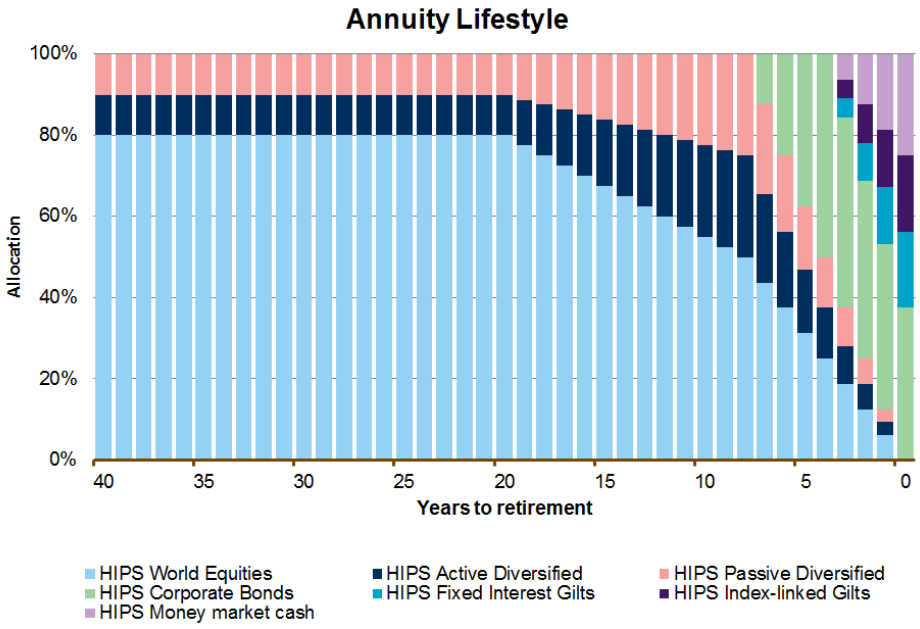
The HIPS Drawdown Lifestyle is the default strategy. It is designed to meet the objectives of members who want the flexibility to decide how much income they receive each year on retirement, rather than buying a pension for life.

However, you will also have the option to invest in two alternative lifestyle strategies – one if you think it likely that you will want to purchase an annuity at the time your pension benefits become payable, which was the objective of the current default lifestyle strategy (as before the Budget 2014 announcements this is what the majority of members chose to do with their retirement income) and one if you think it likely that you will want to take your whole Account as a cash lump sum at retirement. Full details of these lifestyle strategies are set out below:

HIPS Annuity Lifestyle

The HIPS Annuity Lifestyle is intended to meet the objectives of a member who is considering (or thinks it likely that they will consider) buying an annuity (commonly called a pension) at the time their pension benefits become payable. A major factor affecting the value of an annuity is changes in long term interest rates. The aim of this lifestyle is to increase the certainty of the cost of an annuity by investing a greater proportion in bonds, whose prices are expected to move broadly in line with long term interest rates, as you approach retirement.

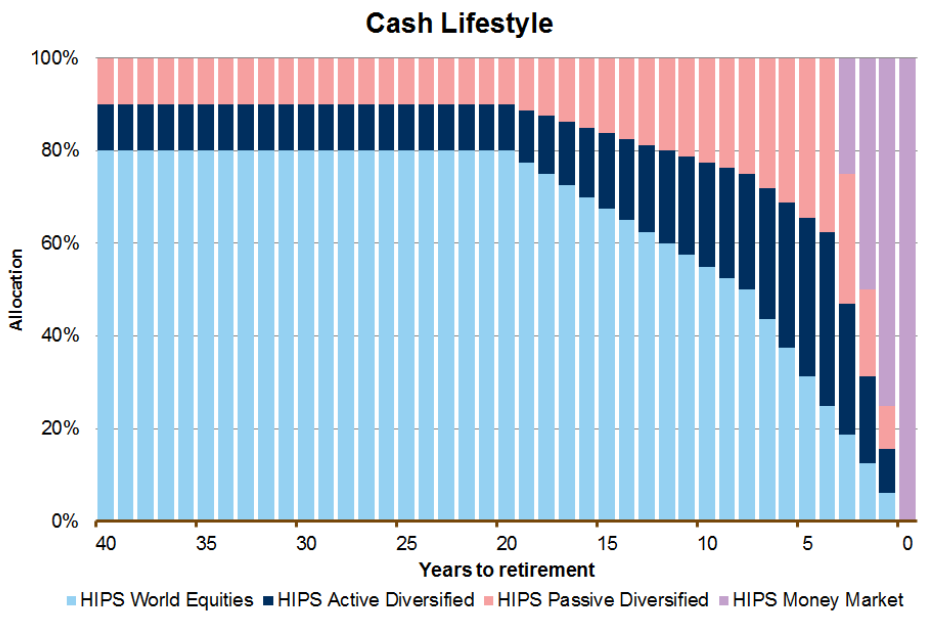
- Eight years before your selected retirement date, your Account will gradually move into the HIPS Corporate Bonds Fund, so that when you reach four years before your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 12.5% in the HIPS Active Diversified Fund, 12.5% in the HIPS Passive Diversified Fund and 50% in the HIPS Corporate Bonds Fund.
- For the final four years before your selected retirement date, your Account will gradually move into the HIPS Fixed Interest Gilts Fund, the HIPS Index-Linked Gilts Fund and the HIPS Money Market Fund, so that when you reach your selected retirement date, 37.5% of your Account will be invested in the HIPS Corporate Bonds Fund, 18.75% in the HIPS Fixed Interest Gilts Fund, 18.75% in the HIPS Index-Linked Gilts Fund and 25% in the HIPS Money Market Fund.



HIPS Cash Lifestyle'

The HIPS Cash Lifestyle is designed to meet the objectives of a member who wants, or thinks it likely that they will want to take their whole Account as cash on retirement. If you invest in this lifestyle in order to reduce investment risk and increase the certainty of the amount of cash you will be able to take at retirement the investments increasingly switch into the HIPS Money Market Fund as you approach retirement.

- Eight years before your selected retirement date, your Account will continue to gradually move into the HIPS Active Diversified Fund and the HIPS Passive Diversified Fund so that when you reach four years before your selected retirement date, 25% of your Account will be invested in the HIPS World Equity Fund, 37.5% in the HIPS Active Diversified Fund and 37.5% in the HIPS Passive Diversified Fund.
- For the final four years before the selected retirement date, your Account will gradually move into the HIPS Money Market Fund, so that when you reach your selected retirement date, your Account will be invested 100% in the HIPS Money Market Fund.



Investment charges

Increasing the diversification in the default lifestyle strategy means that the annual investment charge for the strategy is increasing. This is because the new lifestyle strategies use diversified growth funds, which are more expensive to access than the assets in the current default lifestyle strategy. However, having taken appropriate advice the Trustee believes that these changes should have the potential to produce a better outcome and reduce the likelihood of a poor outcome at retirement, even allowing for the higher investment charges. These changes are intended to give you the benefit of long term diversification while retaining the expectation of a higher return than simply investing in assets such as bonds and cash, which are perceived as lower risk.

Why is diversification important?

Diversification simply means not putting all your eggs in one basket – in terms of your pension, this means holding a wide range of investments.

Some investments do well in certain economic and market conditions and poorly in others. Other investments can behave very differently in the same conditions. Spreading your investments helps reduce the risk that your retirement savings fall significantly due to poor performance of any particular holding (e.g. UK equities).

What charges will I pay?

The fees you will pay will be the annual total expense ratio (TER). The TER for the new lifestyle strategies are set out below. These compare to a TER of 0.160% for the existing default lifestyle strategy (in the period of five years before your selected retirement date). The intention is that these changes should produce a better outcome, even allowing for the higher investment charges.

Proposed fund name	Maximum TER per annum		
	Growth phase (Over 20 years to retirement)	Growth phase (20 to 8 years to retirement)	Pre-retirement (less than 8 years to retirement)
HIPS Drawdown Lifestyle	0.189%	0.296%	0.403% (at retirement)
HIPS Cash Lifestyle	0.189%	0.296%	0.385% (at 4 years to retirement)
HIPS Annuity Lifestyle	0.189%	0.296%	0.275% (at 7 years to retirement)
Current Default Lifestyle	0.160%	0.160%	0.160% (at 5-7 years to retirement)

TER = total expense ratio. This is a charge for the annual management of the funds. The charges you pay are deducted from the assets of each investment fund and are reflected in the daily fund price. The total annual charge is made up of the annual management charge plus any additional annual expenses. 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 total annual charge can also change over time. Costs are shown here as a percentage a year of the value of your Account invested in each fund. This fee is based on the target asset allocation on the funds and may vary if this changes.

Changes to the self-select options

With self-select, you choose what funds to invest in and how much to invest in each fund and you monitor and manage these investments yourself.

- We have expanded the Self Select Fund range and introduced the following three new funds: **HIPS Active Diversified Fund**, **HIPS Passive Diversified Fund** and **HIPS Corporate Bonds Fund**. These new funds are intended to give you greater flexibility and choice to suit your individual savings objectives.
- As a result of the move to FIL Life Insurance Limited ("Fidelity") we have removed the **BlackRock Balanced Fund** from the fund range and replaced it with the **HIPS Passive Diversified Fund,** which will hold a wider range of different types of investments. The **HIPS Passive Diversified Fund** is, in some respects, similar to the **BlackRock Balanced Fund** as it invests in a mixture of equities and bonds but the **HIPS Passive Diversified Fund** has exposure to a wider range of asset classes, such as overseas bonds, property and corporate bonds providing more diversification. As the Trustee is increasing the diversification (which means holding more expensive assets such as property) the Fund's fees are increasing slightly from 0.155% to 0.169%. The Trustee's intention is that this should provide you with the opportunity to achieve better outcomes.
- The **BlackRock 60:40 Global Equity Fund** is changing to the **HIPS World Equity Fund**. The HIPS World Equity Fund is designed to participate in each of the equity markets around the world. This means there is no bias toward or against any single country as the amount invested in each country is in line with its market capitalisation (ie the total market value of the country's stock). The fees of this fund are reducing from 0.160% to 0.118%

The updated self-select fund range – available from November 2014 – is set out below:

Fund name	Invests in	Style of management	TER* (% pa)
HIPS UK Equity	UK equities	Passive	0.114%
HIPS World Equity	Global equities	Passive	0.118%
HIPS Active Diversified	A wide range of diversified asset classes	Active	0.780%
HIPS Passive Diversified	A wide range of diversified asset classes	Passive	0.169%
HIPS Fixed Interest Gilts	Over 15 years Fixed interest gilts	Passive	0.114%
HIPS Index-Linked Gilts	Over 5 years Index-linked gilts	Passive	0.114%
HIPS Corporate Bonds	Corporate bonds	Passive	0.126%
HIPS Money Market	Cash and Money Market	Passive	0.190%

* TER = total expense ratio. This is a charge for the management of the funds. The charges you pay are deducted from the assets of each investment fund and are reflected in the daily fund price. The total annual charge is made up of the annual management charge plus any additional annual expenses. The additional annual expenses cover, for example, the cost of auditing the investment fund and can change from time to time. The TER also depends on the underlying asset allocation which may vary over time. This means that the total annual charge can also change over time.

From November 2014, the following two funds will no longer be available in the self-select fund range:

Fund name	Invests in	Style of management	TER* (% pa)
BlackRock Balanced Fund	Global equities and bonds	Passive	0.155%
BlackRock 60:40 Global Equity Fund	Global equities	Passive	0.160%

Some of the funds set out above are described as ‘active’; others as ‘passive’.

Active funds aim to outperform a market benchmark (such as the FTSE 100) by investing in a selection of investments that the investment manager believes will perform better than the market. The investment manager decides which assets to buy or sell and when. As returns depend partly on the active involvement and skill of the manager, typically these funds have higher investment charges. Active funds can also be more volatile than passive funds, this means there is a greater chance of the fund losing, or gaining, value rapidly.

Passive funds try to replicate a particular benchmark or index, aiming to achieve the same return. Passive funds usually have lower investment charges than active funds because any buying and selling of assets is automatically triggered by changes in the make-up of the index.

Please note: the value of all investment funds can go down as well as up.

No changes during blackout period

The transfer of the Scheme's investments will take place from 8 October to 14 November 2014. During this time there will be a blackout period when we won't be able to process any investment changes. This blackout period helps the Trustee to move the investments to Fidelity in a more efficient way so to minimise the costs and risks. It also gives us time to test and ensure that all transfers are complete and correct. After this you'll be able to change how your Account is invested by contacting the Administration team or logging in to your Account at **www.hartlinkonline.co.uk/hanson**.

What is happening and when?

8 October 2014 – 14 November 2014	**Blackout period:** You will be unable to change how your Account is invested due to the time needed to implement the changes.
From 15 November 2014	**New investment options available:** If you are happy with the changes and how you will be invested from November 2014, you do not need to take any action. However, if you would like to take advantage of the new options available to you please contact the Administration team or log in to your Account at **www.hartlinkonline.co.uk/hanson** after 14 November 2014. If you have any queries please contact the Administration Team – contact details set out on the next page. You can make changes to the new options at any time after 14 November 2014.
Future changes	The Trustee will regularly review the funds available to members to ensure that performance, TER and investment market developments remain appropriate for the delivery of good outcomes. The Trustee may change lifestyle and self-select funds from time to time. This is not expected to happen very often but members will be given prior notice of such changes.

For more information

See your 2014 benefit statement and/or log in to your Account at **www.hartlinkonline.co.uk/hanson** for more information about how your Account is currently invested and its recent performance.

If you have any questions about the changes or a specific question about your membership or benefits in HIPS, please contact the Administration Team by:

Web: **www.hartlinkonline.co.uk/hanson**
Email: Hanson@capita.co.uk
Phone: 08456 000 591
Post: Capita Employee Benefits, Hanson Pension Team, Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL

The small print

The Trustee is not allowed by law to give you any investment or financial advice. If you would like investment or financial advice, we encourage you to speak to a financial adviser. You can find a financial adviser in your area at www.moneyadviceservice.org.uk. Please bear in mind that you will usually have to pay for any advice.

Please note: the value of your own Account is not guaranteed as the investment performance of the funds in which you invest can go down as well as up.