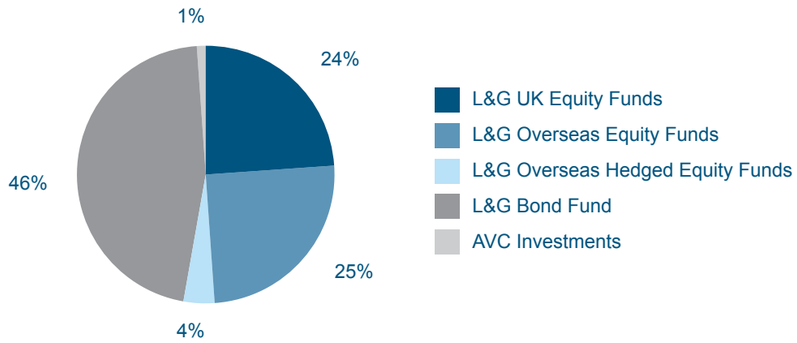
Facts and Figures continued

Investments

The DB Section's assets are invested in a range of equity and bond funds with Legal & General. The bond fund seeks to generate returns that will enable the Scheme to meet its liabilities, and to provide easy access to funds to pay pensions as they fall due. The rest of the Section's investments are also managed by Legal & General, and are spread across UK and overseas equities, which aim to provide higher returns over the long-term than bonds, but have greater short-term volatility. Starting in April 2008, the Trustees agreed to a programme to move some of the overseas equity investments into a currency hedged equity fund. This was with the aim of reducing the Section's exposure to losses from overseas investments through changes in exchange rates. The exact spread of the Section's investments across these different asset types at 31 March 2009 is shown below.



Investment Performance

The Trustees review the performance of the investment managers on a regular basis and set benchmarks and targets to measure performance. Following a period of under-performance and having taken investment advice, the Trustees decided to move investments that were managed by Lazard Asset Management to Legal & General. These assets were invested in the overseas equity funds.

Contacting Us

If you have any queries about the Scheme, or your benefits in it, please contact us via e-mail (**fdr@capita.co.uk**), or call the pensions helpline **0845 604 5316**.

Don't forget to let us know if your circumstances change, for example, if you move house. You should also update your Expression of Wish form if your personal circumstances change, so that if any lump sum death benefits become payable the Trustees will be able to take your wishes into account. Lump sum death benefits are paid at the discretion of the Trustees and so are free from Inheritance Tax. When deciding who should receive these benefits, the Trustees will consider those who you nominate on your Expression of Wish form, so it's important to keep it up-to-date!

In future, the Trustees will ask all members to complete a new Expression of Wish form every two years. Once received, the forms will be scanned onto your membership record, and any previously held Expression of Wish form destroyed. A form is enclosed with this newsletter and should be completed and sent to Andrew Smith, Capita Hartshead Consultancy Services Limited, 2nd Floor, Ludgate House, 245 Blackfriars Road, London, SE1 9UF.

know your pension

DB Edition

For members of the Defined Benefit (DB) Section of the FDR Limited Pension Scheme

In this edition:

From the Trustees

Welcome to Know Your Pension, the revised newsletter for members of the FDR Limited Pension Scheme ('the Scheme').

This edition of Know Your Pension contains all the Scheme news from the year ended 31 March 2009, and the latest funding update. As you are aware, the DB Section of the Scheme is now closed to future accrual, but members will still receive benefits from this Section when they reach retirement. This newsletter will help to keep you informed about how the Trustees are managing the investments that will be used to provide those benefits in the future.

We hope that you like the new format of the newsletter, and find it informative. If you have any questions about your pension benefits in the DB Section, then please contact us using the details on page 8.

The Trustees

First Data

From the Trustees continued

Trustee Training

To help them to carry out their duties effectively, the Trustees undertake regular training and refresher courses. These courses also ensure that the Trustees meet the knowledge and understanding requirements of the Pensions Act 2004. This Act made it necessary for trustees to have knowledge and understanding of trust law, pensions law, and the principles behind investment and scheme funding.

Over the last Scheme year the whole Trustee Board completed re-cap training on defined benefit schemes, which included benefits, documentation, State benefits and an update on legislation. Individual trustees also undertook their own training which included the following:

Course/Program	Trustees
Trustee Toolkit (online training provided by the Pensions Regulator)	Carol Dutton Ursula Gray Philip Persson Rachel Tranter
Codes, Conflicts, Communication and Choices Training (provided by Gissings)	Carol Dutton Philip Persson
Journey to Settlement (a course about managing risk in closed defined benefit schemes)	Philip Persson Ursula Gray Carol Dutton Rachel Tranter

The Notice Board

Change of Scheme Administrator

Following the acquisition of Gissings by Capita Hartshead in June 2009, the contact details for the Scheme's administration team and the Secretary to the Trustees have changed. The new details are on page 8 of this newsletter. Many of the same team will continue to administer the Scheme, and continue to provide the same excellent levels of service and expertise.

Pension Increases

Each year, pensions in payment are increased to keep pace with inflation. Any pension in excess of the Guaranteed Minimum Pension (GMP) is increased by the rise in inflation as measured by the Retail Prices Index (RPI). The maximum increase that can be applied to pension in excess of the GMP is 5%. As at 6 April 2009, the increase applied was 5%. The GMP is the part of your pension that is paid in respect of service before April 1997 where you were contracted-out of the Additional State Pension. The GMP element of pensions in payment is increased separately.

Recently RPI has been negative as the economy has been experiencing a period of deflation. When this happens, pensions in payment are not increased, but neither are they reduced in line with RPI.

Thinking about retirement?

Don't forget that under new Government legislation, from 6 April 2010 the earliest age at which you can start drawing your pension will be increasing from 50 to 55. If you are over 50 but under 55 and thinking about retiring early, you will need to consider your options carefully before April 2010. If you are thinking of retiring early before April 2010, you need to contact the Scheme's administration team as soon as possible. Active members of the Scheme will need to talk to their line manager about early retirement.

If you are thinking about retirement, one of the new options available to you is **flexible retirement**. This allows you to take your DB pension benefits but also continue to work at FDR where appropriate. The idea behind flexible retirement is that you can gradually change from working full-time to being retired, making the transition easier to cope with. If you are interested in flexible retirement, you will need the consent of the Trustees and FDR before you can take your benefits this way. You can also opt to join the DC Section of the Scheme, or continue to contribute to it if you are already a member, once you have taken your DB benefits.

In considering your options for retirement, you might also want to check what State pension benefits you are likely to be entitled to when you reach State Pension Age. You can get a free forecast of this by writing to the Future Pension Centre, The Pension Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA, by calling **0845 6060 265**, or by going to **www.direct.gov.uk/en/Pensionsandretirementplanning/Statepension/StatePensionForecast**.

If you are unsure about whether or not to take early or flexible retirement, you should speak to an Independent Financial Adviser. You can find one of these in your area by going to **www.unbiased.co.uk**.

New tax rules for those earning over £150,000

The Finance Act 2009 brought in new legislation that reduces tax relief on pension savings for high earners. The changes will mean that those earning over £150,000 pa will no longer receive tax relief on pension contributions at the higher rate of 40%. Because this change will only take effect from April 2011, the Government has introduced further legislation ("anti-forestalling" legislation) to prevent those affected from making additional large pension contributions in excess of their normal contributions. The anti-forestalling legislation will only apply to individuals whose:

- income is £150,000 or more in the current tax year or the two previous tax years (with effect from 9 December 2009, this has been extended to cover individuals with over £130,000 in the 2009/10 tax year);
- total Annual Pension Savings in the tax year are greater than £20,000; and
- pension savings in a tax year increase beyond their regular saving as at 22 April 2009.

When measuring income for the purposes of this, any income that is liable to Income Tax is included, such as rental or dividend income. The issues surrounding this legislation are complicated, so if you think it may apply to you, you may wish to take independent financial advice. There is also further information on how the legislation will apply on HMRC's website: **http://www.hmrc.gov.uk/budget2009/tax-relief-pen-cont.htm**.

Scheme Funding Update

Defined benefit pension schemes are required by law to send members and beneficiaries regular information about how their scheme is funded (known as a 'Summary Funding Statement'). As a member of the DB Section of the Scheme, you will have previously received this information in a separate letter. This year, we have decided to include details on the Scheme's funding in the newsletter instead.

The Trustees have recently received an update of the Scheme's funding position as at 31 March 2009, and this updated statement has been prepared to provide members with this latest information.

A defined benefit scheme operates with a single common fund for investments into which all contributions are paid and from which all benefits are payable. To ensure that this common fund (the Scheme's assets) will be sufficient to pay out benefits (the Scheme's liabilities), the Trustees obtain an actuarial valuation of the Scheme at least once every three years from an independent actuary. This valuation measures the Scheme's assets against its liabilities, and determines the level of contributions that FDR Limited must pay to ensure that the Scheme can continue to meet its liabilities.

Actuarial valuation as at 31 March 2007

The latest full actuarial valuation was completed at 31 March 2007. The result of that valuation for the Scheme was:

	£m
Total value of the benefits earned	372
Market value of the assets held	238
Deficit	134
Funding level (assets/value of benefits)	64%

This deficit is expected to be met by a combination of special contributions that will be paid by FDR Limited (known as deficiency contributions) and investment returns on the Scheme's assets. The deficiency contributions payable are summarised below and for this Scheme year (April 2009 to March 2010) are £19.8 million. The deficiency contributions and investment returns were expected, at the valuation date, to clear the deficit by 31 March 2018. Until the DB Section was closed, these contributions were paid in addition to the regular future service contributions received from members and FDR. Following the closure of the DB Section of the Scheme, FDR and members have ceased paying contributions in respect of future accruals, but FDR continues to pay the required deficiency contributions. The next full actuarial valuation is due as at 31 March 2010.

Summary of deficiency contributions payable by FDR Limited

Regular annual deficiency contributions, payable in equal monthly installments, of:

£19.0 million a year in the period 1 April 2009 to 31 March 2011
£15.8 million a year in the period 1 April 2011 to 31 March 2013
£19.1 million a year in the period 1 April 2013 to 31 March 2015
£9.9 million a year in the period 1 April 2015 to 31 March 2018

In addition, the Employer has agreed to pay additional contributions of £1 million a year with effect from 1 July 2009 until the 31 March 2010 valuation has been completed.

Actuarial report as at 31 March 2009

The Trustees have recently received the annual funding update for the Scheme as at 31 March 2009, and this update sets out these results below.

Over the period from 1 April 2007 to 31 March 2009, the Scheme's funding level deteriorated from 64% to around 58%. The main reasons for this are a general fall in equity markets and a reduction in the discount rates the actuary uses to calculate the amount of assets the Scheme needs now to pay benefits in the future. These factors have been partially offset by the deficiency contributions of £10.3 million a year paid to the Scheme since 1 April 2007 and £15 million paid in July 2008. The Scheme is continuing to receive the agreed regular deficiency contributions.

With effect from 1 July 2009, the DB Section of the Scheme closed to future accrual of benefit and the link between past service benefits and future salary levels was broken. Allowing for the closure of the DB Section at 31 March 2009 would have increased the funding level at that point from 58% to around 61%.

The importance of FDR Limited's support

FDR Limited continues to support the Scheme. This is important because the Scheme needs FDR's support and contributions to cover the restoration of full funding and the expenses of the Scheme's operation. Therefore, even though the funding level is temporarily below 100%, benefits can continue to be paid in full. There have been no payments made from the fund to the Employer.

What would happen if the Scheme started to wind up?

The Trustees are also required to tell you what the financial position of the Scheme would be if it started to wind up, even though FDR has no intention of winding up the Scheme.

If the Scheme were to be wound up for any reason, FDR would be required to pay enough money into the Scheme to enable the benefits earned by members to be secured with an insurance company. This would be more expensive than providing benefits through the Scheme. This is because insurers are obliged to take a very cautious view of the future and need to make a profit as well as maintaining a statutory solvency margin. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, the Trustees' funding plan, which is in accordance with good practice and legislation, assumes that FDR will continue in business and support the Scheme.

As at March 2007, the assets of the Scheme were estimated to be sufficient to provide around 48% of members' benefits through the purchase of annuities and deferred annuities with an insurance company. However, if the employer became insolvent, then there may not be funds available to make up the assets to the full cost of securing benefits with an insurance company. The Trustees or the Pensions Regulator would then need to approach the Pension Protection Fund (PPF) to see if it might take over the Scheme and pay compensation to members to make up part of the shortfall in benefits.

The PPF does not provide full protection, so members may still see some reduction in their benefits if the PPF were to provide compensation. A summary of the compensation available from the PPF is available on their website at **www.pensionprotectionfund.org.uk**, or you can write to the PPF at:

Knollys House, 17 Addiscombe Road
Croydon, Surrey C60 6SR

Further information about the Scheme

If you would like further information about the Scheme, or would like a copy of the Scheme's 2007 actuarial valuation report or annual funding update, please write to Sue Curley, Secretary to the Trustees, FDR Limited Pension Scheme, c/o Capita Hartshead Consultancy Services Limited, 2nd Floor, Ludgate House, 245 Blackfriars Road, London, SE1 9UF.

Trustee News

The Scheme is looked after by the Trustees, who take responsibility for managing the Scheme prudently, conscientiously, in good faith, and in the best interests of members and beneficiaries. Over the year to 31 March 2009, the Trustees were:

Independent trustee	BESTrustees plc, represented by Rachel Tranter, Independent Chair
Employer nominated trustees	Frances Leavy Philip Persson Ursula Gray
Member nominated trustees	Peter Motley Carol Dutton

Since the year end, Philip Persson has retired as a trustee and has been replaced by Brian Collins. Brian is married, has one child, and lives in Chelmsford Essex. He has worked for First Data International for over seven years in senior finance roles, and is currently VP Finance, Retail. He is an active UK Defined Contribution member and a deferred Defined Benefit member.

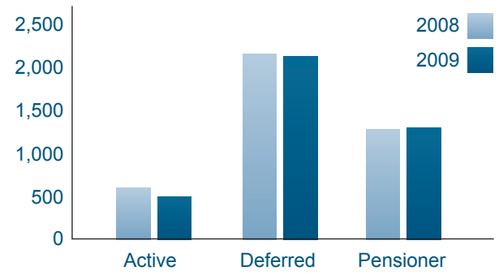
To help with the day-to-day running of the Scheme, and to assist with technical matters, the Trustees make use of specialist advisers. The advisers that the Trustees employ are listed below:

Secretary to the Trustees	Sue Curley of Capita Hartshead Consultancy Services Ltd
Scheme Actuary*	Ian Farr FFA of Watson Wyatt (resigned 1 July 2008) Roger Key FIA of Watson Wyatt (appointed 1 July 2008, resigned 31 August 2008) Andrew Barnes FIA of Watson Wyatt (appointed 31 August 2008)
Scheme Administrator	Capita Hartshead Consultancy Services Limited
Investment Managers	Lazard Asset Management (to April 2008) Legal & General Assurance (Pensions Management) Limited
Employer Covenant Adviser	Watson Wyatt Limited
AVC Providers	Equitable Life Assurance Society Standard Life Assurance Society
Solicitors	Denton Wilde Sapte
Bankers	National Westminster Bank

* There are no circumstances connected to these resignations that need to be brought to the attention of members.

Facts and Figures

Membership



This chart shows membership of the DB Section of the Scheme at the year end, 31 March 2009. After the closure of the DB Section on 30 June 2009, there are no active members, only deferred and pensioner members.

Fund Account

Below are details of the DB Section's income and expenditure for the year ended 31 March 2009, with the previous year's figures alongside for comparison.

	2008/09	2007/08
Fund value at 1 April	**£240,457,361**	**£232,273,305**
Income		
Employer's normal contributions	£6,204,824	£4,238,639
Employer's other contributions	£3,991,488	£91,715
Employer's deficiency contributions	£25,299,996	£10,299,996
Members' normal contributions	£1,062,232	£1,247,803
Members' additional voluntary contributions	£49,331	£48,432
Other income	£185,171	£448,549
Expenditure		
Benefits	£(6,984,907)	£(6,581,425)
Transfers out	£(753,421)	£(347,804)
Payments to and on account of leavers	£(4,155)	£(2,013)
Administration expenses	£(721,741)	£(751,049)
Other payments	£(341,856)	£(227,692)
Investments		
Investment income	£407,963	£999,026
Change in market value of investments	£(37,207,847)	£(931,628)
Investment management expenses	£(230,887)	£(348,493)
Net increase/(decrease) in the fund during the year	**£(9,043,809)**	**£8,184,056**
Fund value at 31 March	**£231,413,552**	**£240,457,361**