First Data
b›yond the transaction

know your pension

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

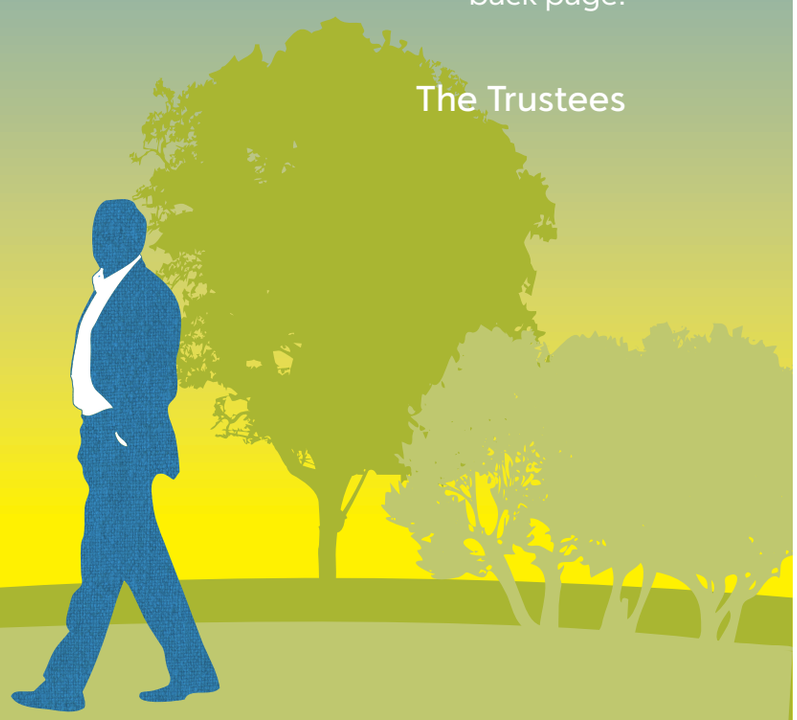
YOUR PENSION HEADLINES:

Welcome to the 2014 edition of Know Your Pension specifically for members of the DB Section of the Scheme. It contains all the information you need to know on how the Section has been managed during the Scheme year ending 31 March 2013, as well as the latest pension news. There have also been some big changes in pensions recently, and with the recent Budget announcement there may be more in the future.

Why not spend a few minutes getting to know your pension a bit better?

We hope that you find this newsletter informative; however, if you have any questions about your pension benefits in the DB Section or any of the matters raised in this newsletter, please contact us using the details on the back page.

The Trustees



Facts and figures

Accounts

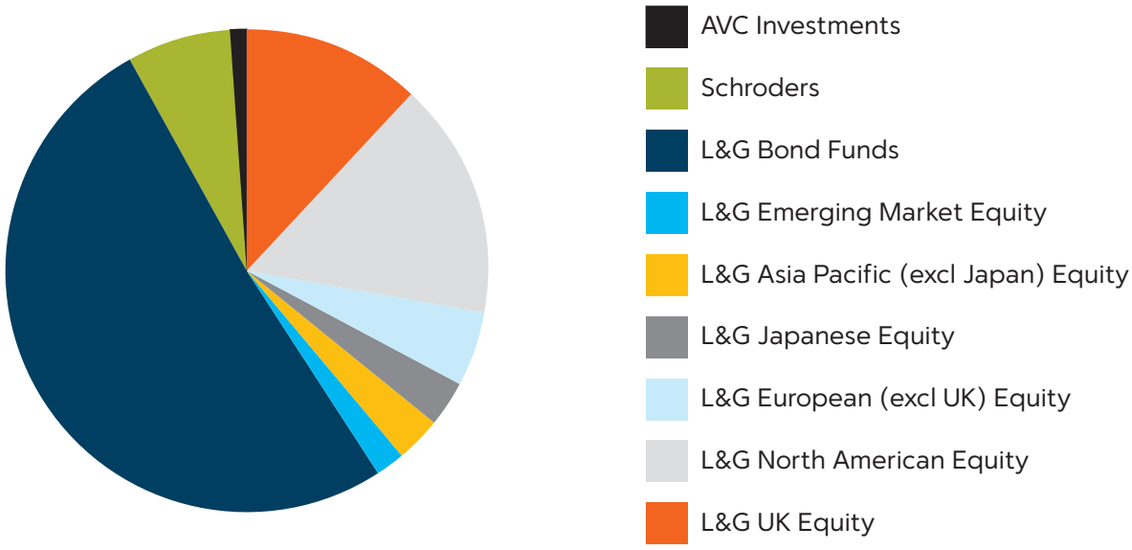
Below are details of the DB Section's income and expenditure for the year ended 31 March 2013 and 31 March 2012:

	2012/13	2011/12
Fund value at 1 April	**£388,276,774**	£349,844,809
Income		
Employer's normal contributions	**£109,397**	£118,924
Employer's other contributions	**£269,652**	£517,809
Employer's deficiency contributions	**£16,800,000**	£16,883,333
Members' normal contributions	–	–
Members' additional voluntary contributions	–	–
Transfers in	**£834**	–
Other Income	**£166,807**	£46,798
TOTAL INCOME	**17,346,690**	17,566,864
Expenditure		
Benefits	**(£9,910,498)**	(£11,018,456)
Transfers out	–	(£343,620)
Payments to and on account of leavers	**(£361,221)**	–
Administration expenses	**(£886,942)**	(£1,030,745)
Other payments	**(£26,833)**	(£322,872)
TOTAL EXPENDITURE	**11,185,494**	12,715,693
Investments		
Investment income	**£207,505**	£220,078
Change in market value of investments	**£53,219,939**	£33,658,827
Investment management expenses	**(£393,587)**	(£298,111)
Net investment gain / (loss) during the year	**£53,033,857**	£33,580,794
Fund value at 31 March	**£447,471,827**	£388,276,774

DB investment strategy

The DB Section's assets are invested in a range of equity and bond funds with Legal & General and the Diversified Growth Fund with Schroders. These funds seek to generate returns that will enable the Scheme to meet its liabilities. The Trustees continually monitor and consider the best ways to invest the Scheme's assets in order to provide benefits in the future. The asset allocation chart below shows the percentage allocated to each of the Scheme's different investments at the Scheme year end. Since the year end the Trustees have carried out a detailed review of the investment strategy and are considering changes to the asset allocation following this review.

The DB Section's spread of investments at 31 March 2013 is shown below:



Facts and figures (Continued)

Investment performance

With the aim of achieving good investment returns for the Scheme funding, the Trustees review the performance of the investment managers on a regular basis and set benchmarks and targets to measure performance. The majority of the funds invested by the Scheme matched or exceeded the set benchmark for that particular fund in the last 12 months.

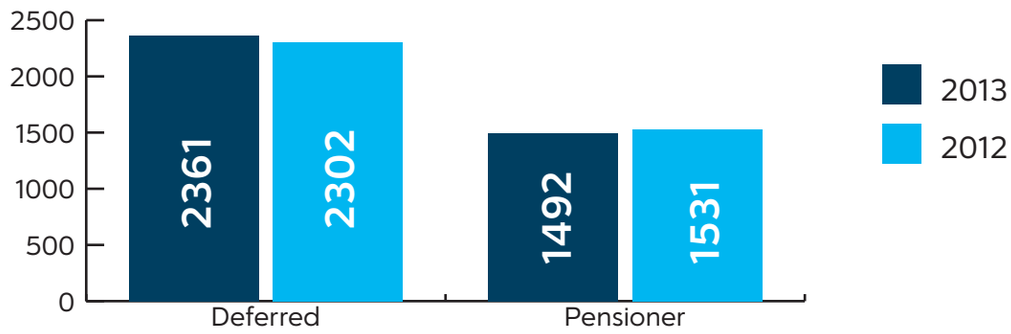
The Diversified Growth Fund aims to achieve growth of 5% a year above inflation over a market cycle, typically five years. Over 12 months the benchmark was +8.3%. This was exceeded by 2.2% over the period.

The 12 month performance of the Legal & General funds is shown in the table below:

Investment Sector Fund	Fund (%)	Index (%)
Investment Grade Corporate Bond 〉15 Year Index	+13.8	+13.7
Over 15 year Index-Linked Gilts	+12.2	+12.1
2055 Index-Linked Gilt	+9.9	+9.9
UK Equity Index	+16.9	+16.8
North America Equity Index	+19.3	+19.2
N America Equity Index-GBP Hedged	+13.3	+13.2
Europe (ex UK) Equity Index	+17.6	+17.4
Europe (ex UK) Index-GBP Hedged	+16.4	+16.3
Japan Equity Index	+14.4	+14.3
Japan Equity Index-GBP Hedged	+21.9	+21.9
Asia Pacific ex Japan Dev Equity Index	+20.1	+19.9
World Emerging Markets Equity Index	+7.3	+7.1

Membership

The chart below shows membership of the DB Section of the Scheme at 31 March 2013. Figures from 2012 have been included for comparison. After the closure of the DB Section on 30 June 2009, there are no active members, only deferred and pensioner members.



Budget 2014

On 19 March 2014 the Chancellor of the Exchequer announced upcoming plans for pensions, most of which will take effect in April 2015.

Most of the proposed changes will only affect DC pension arrangements, such as the DC Section of the FDR Pension Scheme so we've summarised the things that we think may affect you most:

Flexibility for DC Pension Pots

Currently withdrawing money from a DC pension scheme is surrounded by restrictions such as using pension savings to purchase an annuity or using them to provide an income via a process called 'drawdown'.

Under the changes outlined in the Budget, pension savers are to be given complete freedom over how they can use the money they have saved into their DC retirement pot once they reach a certain age. This may be relevant to members who have paid Additional Voluntary Contributions, or have benefits in the DC Section of the Scheme,

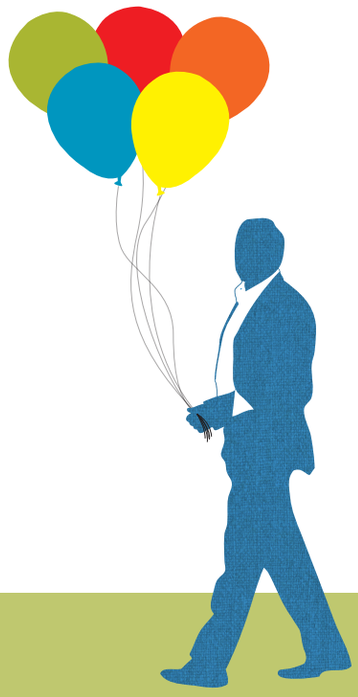
This freedom over the savings in your DC pension pot kicks in from the minimum retirement age. The changes are likely to mean that at the point of taking benefits, savers can withdraw 25% of their DC pension savings tax-free (as is currently the case). Any further money withdrawn from your DC pension savings will be taxed as income at your marginal rate for the tax year in which it is taken.

Impact on DB schemes (e.g. final salary schemes)

The changes proposed apply to DC pension saving and not DB schemes. However, the announcement makes it clear that one of the options being considered is banning transfers from defined benefit schemes to DC schemes although it is unclear if and when this ban will come into force.

Increase to Trivial Commutation Limits

Trivial Commutation limits will increase from £18,000 to £30,000. This means that if the total of all pensions you are entitled to is valued at less than £30,000 when you retire, you may have the option of taking your pension as a one-off lump sum, 25% of which would be tax-free and the remainder taxed at your standard rate.



Budget 2014 (Continued)

Increase to Small Pension Pot Lump Sums

The size and amount of small pension pots that can be taken as a single lump sum will be increased from £2,000 to £10,000. In addition to the increase in value, the number of personal pension pots that can be taken will increase from 2 to 3.

Increase to the Minimum Retirement Age

The Chancellor has suggested that the minimum age that members can access their pension savings should increase at the same rate as the State Pension Age. The current suggestion is that the minimum age would be adjusted to maintain the approximate ten year gap between State Pension Age and the minimum retirement age. As State Pension Age is rising to be 67 in 2028 the suggestion is that the minimum retirement age would rise in line to be 57.

The Government may, however, consider alternative options whilst under consultation such as closing the gap between the minimum retirement age and State Pension Age by setting the new minimum closer to the State Pension Age, for example 5 years below.

The Government will also introduce a new duty that will require pension schemes to offer defined contribution scheme members a 'guidance guarantee' when they retire. The guidance must be free, impartial and offered face-to-face. The Chancellor was keen to point out that this guidance would not be the same as regulatory advice, and independent financial advice should be sought in addition to the guidance.

Pensioner Bonds

The Government is introducing a new savings product for the over 65s. The new pensioner bond, launched by National Savings & Investments will be available from 1 January 2015. The Chancellor stated:

"The exact rates will be set in the autumn to ensure the best possible offer, but our assumption is 2.8% for a one-year bond and 4% on a three-year bond. That's much better than anything equivalent available in the market today".

The Chancellor has said that up to £10 billion of such bonds would be issued and that a maximum of £10,000 could be invested per bond.

You can find out more about the Budget and how you might be affected by the changes by visiting: www.gov.uk/government/news/budget-2014-key-announcements

2014 Summary Funding Statement

The Trustees are required by law to give members of the DB Section of the Scheme a summary funding statement following each actuarial valuation or actuarial report on funding, which covers specific aspects of the Scheme's current funding position. This is the summary funding statement for 2014, which provides members with the latest information on the Scheme's funding position. The statement is based on the actuarial valuation recently received by the Trustees setting out the funding position as at 31 March 2013.

How the FDR Limited Pension Scheme works

A DB scheme operates with a single common fund for investments into which all contributions are paid and from which all benefits are payable. The Trustees obtain an actuarial valuation of the Scheme at least once every three years from an independent actuary which has two main purposes:

1. to compare the value of the benefits already earned by members in the Scheme with the assets built up from contributions and past investment returns, and
2. to determine the level of contributions required to meet future benefit payments taking into account the result of 1.

It is important to inform the Trustees of any change to your address or marital status. Please notify the Trustees of any changes using the contact details shown at the end of this statement.

Actuarial valuation as at 31 March 2013

The latest actuarial valuation was completed at 31 March 2013. The result of that valuation for the Scheme was:

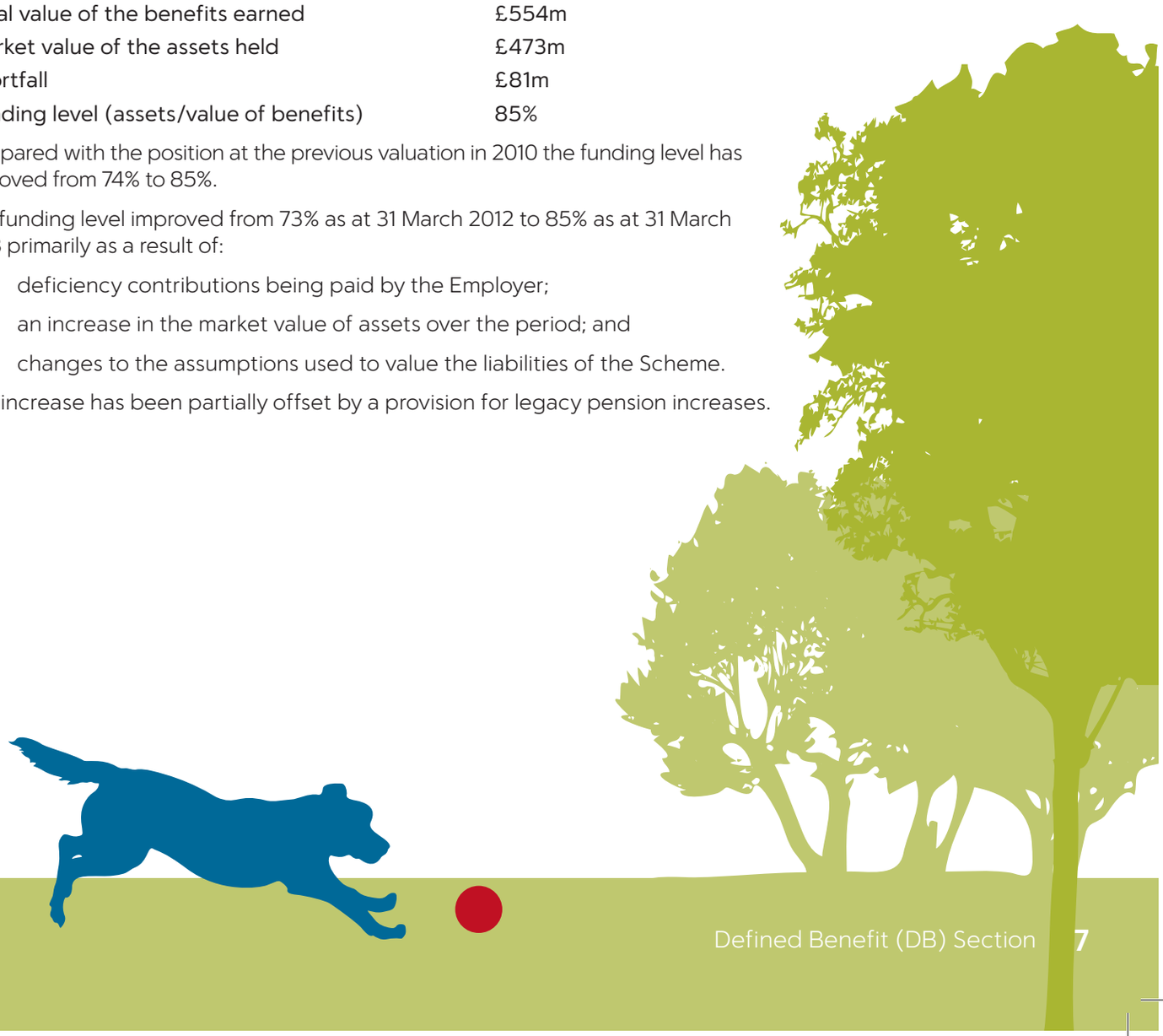
Total value of the benefits earned	£554m
Market value of the assets held	£473m
Shortfall	£81m
Funding level (assets/value of benefits)	85%

Compared with the position at the previous valuation in 2010 the funding level has improved from 74% to 85%.

The funding level improved from 73% as at 31 March 2012 to 85% as at 31 March 2013 primarily as a result of:

- deficiency contributions being paid by the Employer;
- an increase in the market value of assets over the period; and
- changes to the assumptions used to value the liabilities of the Scheme.

This increase has been partially offset by a provision for legacy pension increases.



2014 Summary Funding Statement (Cont)

What is our recovery plan?

The shortfall of £81 million is expected to be met by a combination of deficiency contributions and investment returns on the assets. The deficiency contributions payable this Scheme year (April 2014 to March 2015) are £5.0 million and those payable in later years are summarised in the schedule at the end of this Statement. The contributions in the schedule (and investment returns) are expected, based on the financial position at the valuation date, to clear the deficit by 29 February 2024. As the DB Section of the Scheme is closed, the Employer and members do not pay contributions to the DB Section in respect of future accruals, but the Employer continues to pay the cost of enhanced benefits for employed members on death in service in addition to the deficiency contributions.

The next actuarial valuation is due as at 31 March 2016. The Trustees will review the Recovery Plan, in consultation with FDR Limited, as part of the 2016 actuarial valuation.

Investment Strategy

At the valuation date, the Scheme had the following strategic benchmark asset allocation:

Equities	41%
Diversified Growth Fund	9%
Corporate Bonds	12.5%
UK Government Index-linked Bonds	37.5%

The Trustees are currently reviewing the investment arrangements, in consultation with FDR Limited.

Leaving the Scheme?

If you are considering leaving the Scheme as a result of the funding position you should seek advice from an independent financial adviser (IFA). To find an IFA in your area, visit www.unbiased.co.uk. Some advisers may charge for their advice so be sure to check with them first.

The importance of FDR Limited's support

FDR Limited continues to support the Scheme. This is important because the Scheme needs its support and contributions to make good the funding shortfall. Therefore, even though the funding level is temporarily below 100%, benefits can continue to be paid in full.

In addition, First Data Corporation provides a guarantee that FDR Limited will meet its obligations, subject to a guaranteed amount of up to £143 million.

What would happen if the Scheme wound up?

The Trustees are also required by law to tell you what the financial position of the Scheme would be on wind up, even though FDR Limited has no intention of winding up the Scheme.

If the Scheme was wound up, FDR Limited would have to pay enough money into the Scheme to secure benefits with an insurance company. This would be more expensive than the value of benefits calculated in the valuation. This is because insurers have to take a very cautious view of the future and need to make a profit as well as maintaining a statutory solvency margin. By contrast, the Trustees' funding plan, which is in line with good practice and pensions law, assumes that FDR Limited will continue in business and support the Scheme.

At March 2013, the Scheme's assets were estimated to be sufficient to provide around 62% of the money needed to secure benefits with an insurance company. However, if FDR Limited 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 go to the Pension Protection Fund (PPF) to see if it might take over the Scheme and pay compensation to members.

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

Knollys House
17 Addiscombe Road
Croydon
Surrey
C60 6SR

Summary of deficiency contributions payable by FDR Limited from 1 April 2013

FDR Limited will pay deficiency contributions to the Scheme at the following rates, payable in equal monthly instalments and adjusted pro-rata for part years:

- £20.0 million a year in the period 1 April 2013 to 28 February 2014
- £5.0 million a year in the period 1 March 2014 to 29 February 2024

Additional disclosure notes required by the Scheme Funding Regulations

No payments have been made or are due to be made from the Scheme to FDR Limited.

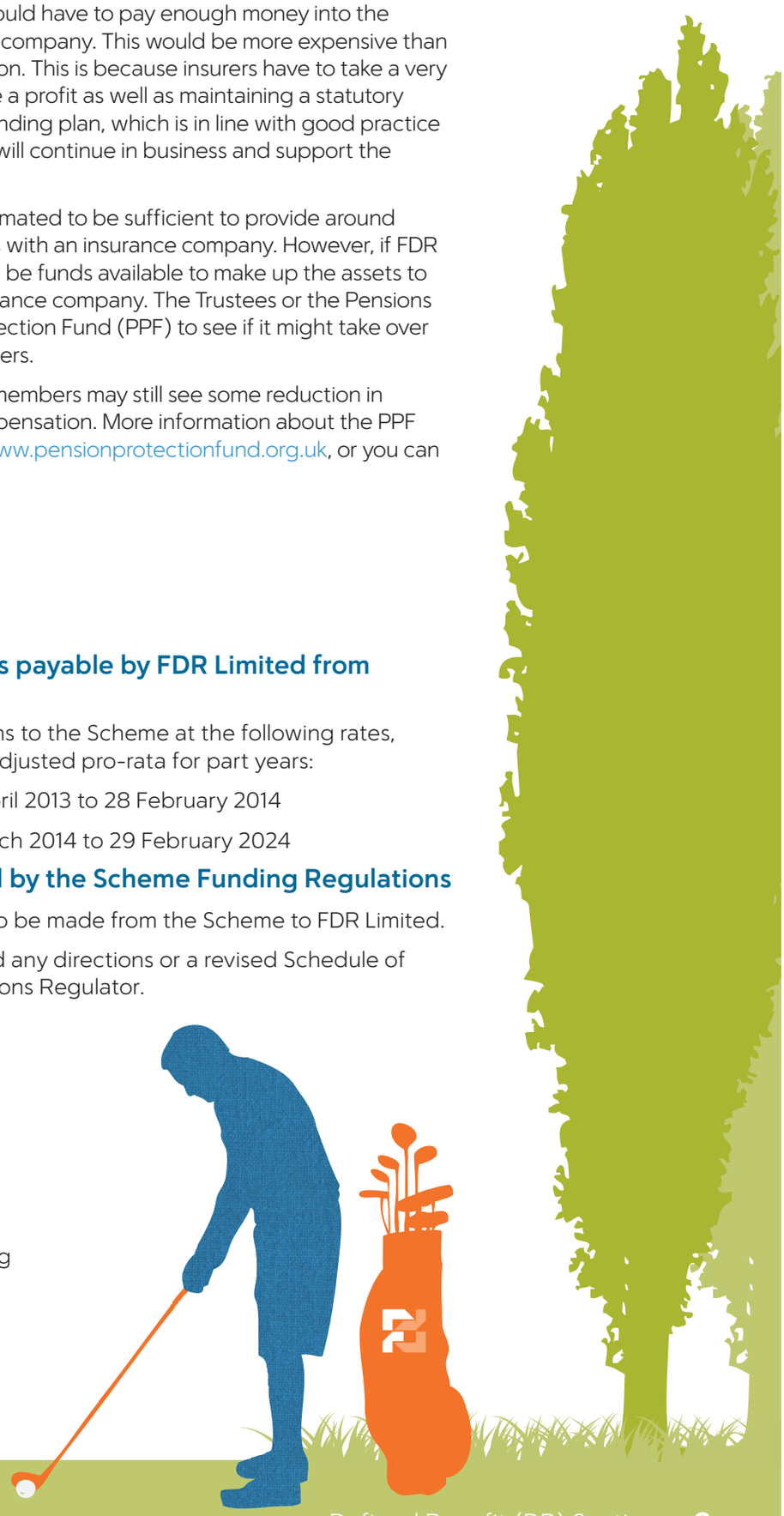
The Scheme has not been modified nor had any directions or a revised Schedule of Contributions imposed upon it by the Pensions Regulator.

More information about funding

If you would like a copy of the report on the 2013 actuarial valuation report, please contact:

Sue Curley, Secretary to the Trustees, FDR Limited Pension Scheme, c/o Capita, 65 Gresham Street, London, EC2V 7NQ.

You may also request copies of the following documents: Schedule of Contributions, Recovery Plan, Statement of Funding Principles, Statement of Investment Principles, amongst others.



Pension news

Limits on Pension Savings

HM Revenue & Customs set limits on the amount of tax relief you can get on your pension savings. These limits are known as:

Annual Allowance

The Annual Allowance, or AA, is the maximum amount of pension savings that benefit from tax relief each year. You can save more than the limit if you wish, but any amount over the AA will not receive any tax relief. In addition, any pension savings in excess of the AA would be subject to a tax charge.

The AA reduces from £50,000 per year to £40,000 with effect from 6 April 2014.

Lifetime Allowance

The Lifetime Allowance, or LTA, is the maximum amount of pension saving you can build up over your life that benefit from tax relief. If you build up pension savings worth more than the LTA you'll pay a tax charge on the excess.

The LTA reduces from £1.5 million to £1.25 million with effect from 6 April 2014.

Pension Liberation Fraud

Some companies are using promises of early cash alongside poor advice and information with the aim of liberating a pension before the minimum retirement age, which is currently 55. This is known as 'pension liberation fraud' or a 'pensions scam'. Be aware that these enterprises are illegal and only in rare cases (such as terminal illness) is retirement allowed before age 55.

Many people are being approached by cold-callers or text messages, telling them about 'creative investing', 'overseas investments' or 'loop-holes'. These are indicators that the company may be operating fraudulently. If you are contacted by anyone who claims they can use these techniques, you should contact the administration team at Capita, whose contact details can be found on the back page.

Please remember that there may be serious repercussions if people attempt to take their pension savings before age 55. You could lose anything up to 85% of the value of your pension in fees and tax charges, and once the money is gone, it's gone for good.

If you want to learn about the risks of pensions scams and key indicators of a pension liberation company, visit: www.pensionsadvisoryservice.org.uk/media/826600/members_leaflet.pdf

Single-tier state pension

The Government has introduced a flat rate, single-tier state pension for people who reach State Pension age on or after 6 April 2016.

The new single-tier structure will be paid to those who have a minimum of 7-10 years of National Insurance contributions (NICs), and could be around £144 a week if you have paid NICs for 35 years.

The changes also mean that you will no longer be able to earn rights based on your spouses' or civil partners' NICs.

The Government have introduced the new system so that it's simpler, fairer, and gives you a clear understanding about what the state will provide, so that you can plan your retirement savings.

The reformed State pension is intended to cost no more than the current system and is expected to cost less from about 2049.

Is your Expression of Wish Form up to date?

If you're married or in a civil partnership, your spouse will usually be entitled to a pension in the event of your death. If you don't have a spouse, but have children under the age of 18, a pension may be payable to them. Please note that pensions aren't payable to unmarried partners.

The Trustees would like to remind you of the importance of completing and updating your Expression of Wish form.

The Trustees have discretion over who should receive any lump sums that may be payable in the event of your death, and by completing an Expression of Wish form you can help them make their decision by letting them know to who you would like any lump sums to be paid. It is much easier for Trustees to make an informed decision if they hold an up-to-date Expression of Wish form.

Any lump sums would be free of inheritance tax as they do not form part of your estate.

You should complete a new Expression of Wish form if your answer to any of the following questions is 'no':

- Have you completed an Expression of Wish form?
- Is your current form less than 2 years old?
- Are your personal circumstances the same now as when you last completed an Expression of Wish form?
- Are the directions in your Will the same now as when you last completed an Expression of Wish form?

If you are a deferred member of the Scheme, or are a pensioner whose pension has been in payment for less than 5 years, you should review your Expression of Wish form regularly.

Trustee news

The Scheme is looked after by the Trustees, who take responsibility for managing the Scheme conscientiously and in the best interests of members and beneficiaries.

At the beginning of 2013 the Company reduced the number of Employer-nominated Trustees from 4 to 2. With effect from 1 January 2013 the Trustees were:

Employer-nominated Trustees: Ty Miller, Roger Bracken. Keith Rowling replaced Roger Bracken from 12 June 2013. Annelyse Fournier was appointed as an additional Trustee on 17 September 2013.

Member-nominated Trustees: Peter Motley, Carol Dutton

It is a legal requirement that at least one third of pension scheme trustees are member nominated.

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
Scheme actuary:	Andrew Barnes FIA of Towers Watson Limited
Scheme administrator:	Capita
Investment managers:	Legal & General Assurance (Pensions Management) Limited Schroder Investment Management Limited
Employer covenant adviser:	Towers Watson - replaced by Punter Southall from 19 July 2013
Investment consultant:	Towers Watson Investment Consulting Limited – replaced by P-Solve Investments Limited from 1 August 2013
AVC providers:	Equitable Life Assurance Society Standard Life Assurance Society
Solicitors:	SNR Denton UK LLP
Auditor:	Ernst & Young LLP
Bankers:	National Westminster Bank Plc

Help with questions or problems

If you have any comments or questions, or you are dissatisfied with anything to do with the Scheme, you should contact the Scheme administrator, Capita, whose details are below.

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

Pensions Helpline: 0845 601 2923
Website: www.pensionsadvisoryservice.org.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0845 6000707
Website: www.thepensionsregulator.gov.uk

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7630 2200
Fax: 020 7821 0065
E-mail: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

Contact us

If you have any queries about the Scheme or your benefits, you can contact us using the details below:

FDR Limited Pension Scheme
Capita
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL

Email at: fdr@capita.co.uk
Pensions helpline: 0845 604 5316.

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