

IHG UK Defined Contribution Pension Plan

Pension Newsletter

March 2015

Freedom and Choice

- Details of the Government's changes to DC pensions
- Actions you may want to take

Aletheia Powell,
IHG, Denham

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Welcome

I'm pleased to welcome you to our newsletter for IHG UK Defined Contribution Pension Plan members.

This is the first edition of the newsletter since the new Plan was set up in August 2014 and those of you who were previously members of the Defined Contribution (DC) Section of the InterContinental Hotels UK Pension Plan ('the old Plan') were transferred to the new Plan.

The new Plan was set up so that the Trustee could complete the transfer of responsibility for the Defined Benefit (DB) Section of the old Plan to an insurance company. The new Plan also aims to mirror the existing DC Section of the old Plan.

In this newsletter, you'll find:

- Details of the 2014 Budget changes affecting DC pension schemes, which will come into effect from April 2015;
- A reminder of BlackRock's new 'TargetPlan' website for members; and
- A summary of the Trustee's Annual Report for the year to 31 March 2014, as it related to members of the DC Section of the InterContinental Hotels UK Pension Plan.

Changes to the Company Management Team

Since the last Plan newsletter, David Coles, VP Pensions, took the decision to retire. David had over 30 years' service and will be greatly missed by the Pensions Team. Friends and colleagues from IHG wish him a long and happy retirement. With effect from 1 July 2014, I have taken on the role of Head of Pensions. Contact details for the Company Management Team are shown on page 11.

Keith Sully
Head of Pensions

Freedom and Choice

2014 Budget changes to DC pensions

You may have heard about some major changes, which were announced by Chancellor George Osborne in the March 2014 Budget affecting DC pensions. Here we explain the changes which come into effect from 6 April 2015.

Existing option at retirement

Most people with DC pensions must currently purchase an annuity with their fund (with the option to take up to 25% of the fund as tax-free cash).



An annuity is an insurance policy purchased with a DC fund, which converts the fund built up in your pension scheme into a regular income. The income is then paid for the rest of your life.

Under this option, although you are required to purchase an annuity with at least 75% of your fund, there is flexibility around the type of annuity you can choose to buy. For example, you could choose whether or not the annuity increases in payment and if you would like the annuity to provide an income for your spouse or partner in the event of your death.

Turn over for information about the new retirement options

Freedom and Choice (continued)

New options at retirement

From 6 April 2015, people aged 55 and over with savings in DC pension schemes will be able to make use of the following options:

Option 1: Buy a pension (annuity)

The option to purchase an annuity with a DC fund (and take up to 25% of the fund as tax-free cash) will still be available from 6 April 2015. This is described on page 3.

Option 2: Flexi-access drawdown

Under a flexi-access drawdown arrangement, you can take up to 25% of your DC fund as tax-free cash when you designate your DC fund as being available for drawdown. Payments from the flexi-access drawdown account can then be taken as and when you choose, while the rest of your fund remains invested. Each payment under a flexi-access drawdown account is subject to tax at your marginal rate.

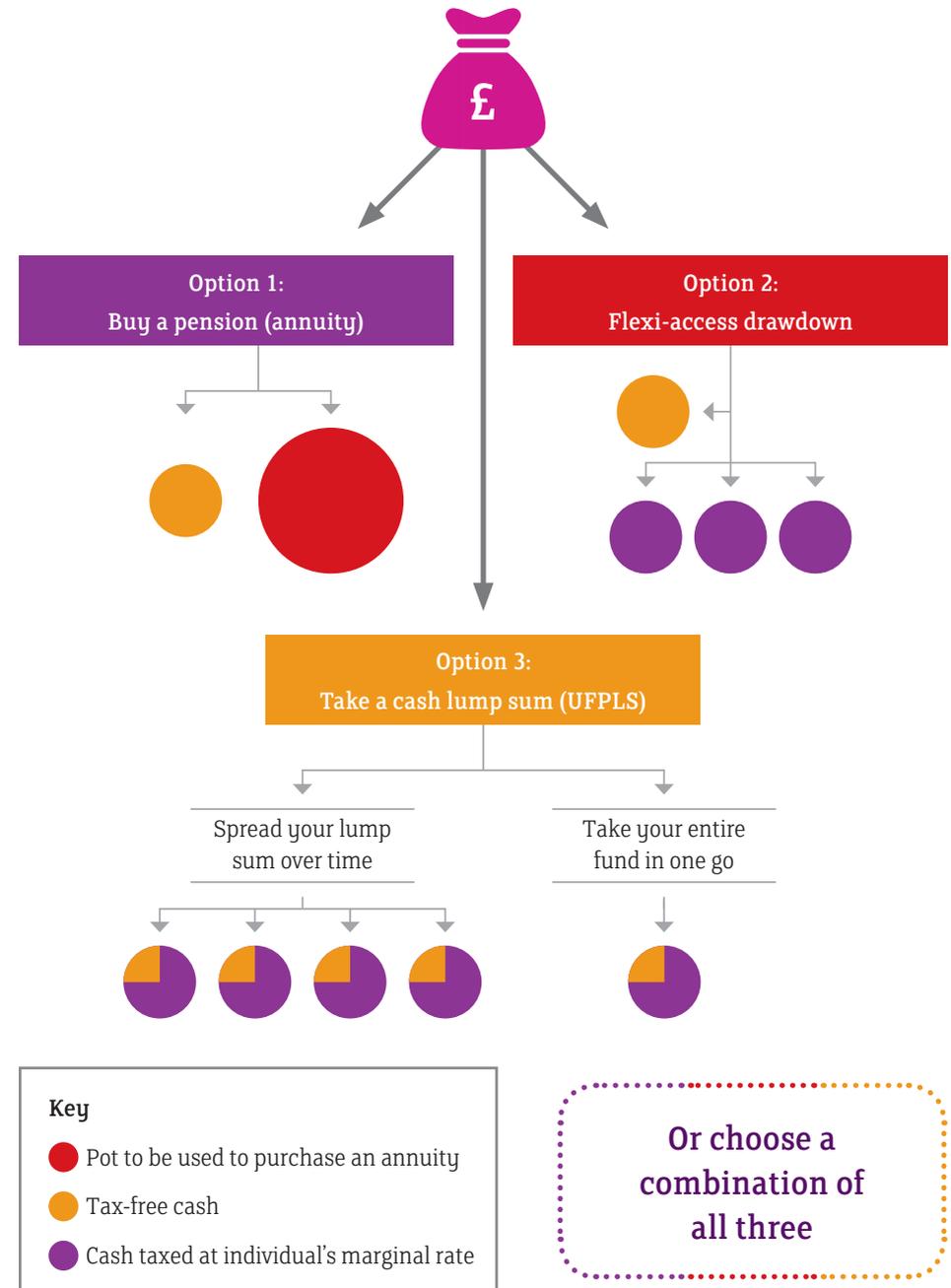
Option 3: Take one or more cash lump sums

Also called uncrystallised funds pension lump sums (UFPLS), this is similar to flexi-access drawdown except that each time you take a payment, one quarter of the payment is tax free with the rest taxed at your marginal rate. This means the 25% tax-free cash can be spread over a period of time, rather than taken in one go. With this option, you can take as much or as little of your account as and when you want.

With UFPLS, you'll also have the option to take your entire fund in one go as cash at retirement. Again, 25% of your fund will be tax free and the rest will be taxed at your marginal rate.

How do I decide?

Think about how you might want to use your money when you retire. You may also be taxed differently depending on the option you choose. A new service called 'Pension wise' is available to provide free and impartial guidance to people approaching retirement (see page 6 for more information).



Freedom and Choice (continued)

More about Freedom and Choice

Small lump sums – if you have a DC pension account worth less than £10,000, you can take this as a single lump sum payment, with 25% of the payment tax free and the remainder taxed at your marginal rate.

Minimum age for taking DC benefits – the earliest age at which you can access your DC pension fund to take advantage of the new flexibilities is currently 55. This is expected to move to age 57 in 2028 (to be 10 years before State Pension Age).

Guidance guarantee ('Pension wise') – as part of these changes, the Chancellor announced in July 2014 that people about to retire would get free, impartial guidance on what to do with their DC pension savings. The guidance, which has now been branded 'Pension wise', is being delivered by independent organisations including The Pensions Advisory Service ('TPAS') and Citizens Advice. You can find more information at www.pensionwise.gov.uk. You may also want to speak to a financial adviser to decide what's best for you.

Alternative Annual Allowance – If you access any DC pension savings flexibly (which means you receive a UFPLS payment or a first payment from a flexi-access drawdown account), your 'Annual Allowance' is reduced to £10,000 (from £40,000). The Annual Allowance is the maximum amount of pension savings that can benefit from tax relief each year.

Actions you should consider

Prepare before retirement – With these new flexibilities in mind you may wish to consider the following in relation to your IHG DC pension fund:

- how is your fund invested?
- what is your Target Retirement Age?
- are you paying the right level of contributions?
- if you are 55 or over and considering taking a lump sum payment, how will this affect the rate at which you are taxed?

You can find details of how your funds are invested and the alternative investment options available on BlackRock's TargetPlan website (see opposite). If you wish to amend your regular contributions to the Plan, you can do this via myHR.

If you would like more information, please contact the Company Management Team (see page 11).

BlackRock's TargetPlan

Information at your fingertips

In July 2014, BlackRock introduced their new member website, TargetPlan – an easy way to monitor and manage your account whenever you want to.

Through TargetPlan you can:

- See the value of your retirement savings;
- Check which funds your account is invested in; and
- Explore what other investment funds are available.

As part of the new member website, BlackRock has also introduced myTarget – a pension calculator that will help you answer the following key questions:

- How much income do I need in retirement?
- Could I afford to retire if I keep things as they are?
- How much do I need to pay into my account?
- How should I invest to reach my target?
- You can even add in details of other savings and/or pension plans from previous jobs.

All you need to do is visit www.blackrock.co.uk/targetplan and register using your BlackRock account number and National Insurance number.



If you need help, just contact BlackRock:

 01733 353 462 – Monday to Friday, between 9.00am and 5.00pm

 uk.ops@blackrock.com

Financials

The information on the next two pages provides a summary of the Plan's accounts for the DC section for the year ending 31 March 2014.

	£000
Value of the Fund at 31 March 2013	24,451
Income	
Member contributions	2,064
Company contributions	3,570
Transfer values received	482
Changes in market value of investments	1,945
Total	8,061
Expenditure	
Lump sum retirement benefits	26
Refunds of contributions	84
Transfer values paid	325
Total	435
Value of the Fund at 31 March 2014	32,077

Information

A full copy of the Trustee's Annual Report and Accounts is available on request from the Company Management Team or can be viewed or downloaded from the IHG pension website at:

www.pensions.ichotelsgroup.com

Membership

The chart below shows the membership details at 31 March 2014 and 2013:



LifeStyle/FreeStyle split

At 31 March 2014, 1061 members were invested in the LifeStyle option and 116 members in the FreeStyle option.

Changes in Plan membership

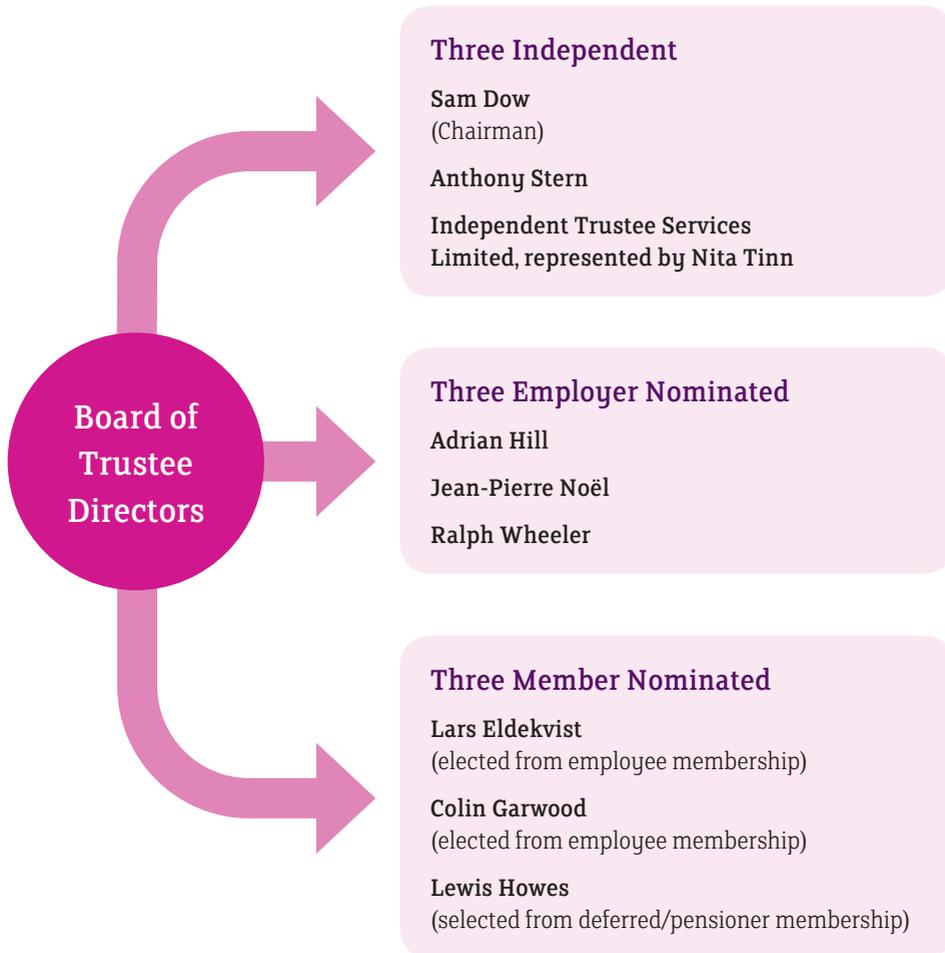
There was a large increase in the number of active members in the DC Plan during the year ended 31 March 2014 for two main reasons:

- The DB Section of the Plan closed to future service build up for current members from 1 July 2013. Those members were enrolled in the DC Section from the same date.
- The new automatic enrolment legislation, which brought in new employer duties in relation to enrolling employees into pension schemes, applied to IHG from 1 September 2013. As a result, over 300 employees joined the DC Plan with effect from that date.

Who helps run the Plan

Trustee Directors

The following individuals make up the Board of Trustee Directors, who are responsible for the day-to-day running of the Plan and serving the best interests of the membership as a whole.



Company Management Team

The following individuals make up the Company Management Team, which is responsible for managing the outsourced Plan administration and assisting the Trustee Directors with their duties.



*Contact for Internal Dispute Resolution Procedures

Information

You can contact the Company Management Team at:

✉ No.1 First Avenue
Centrum 100
Burton-on-Trent
Staffordshire
DE14 2WB

☎ 01283 511 311

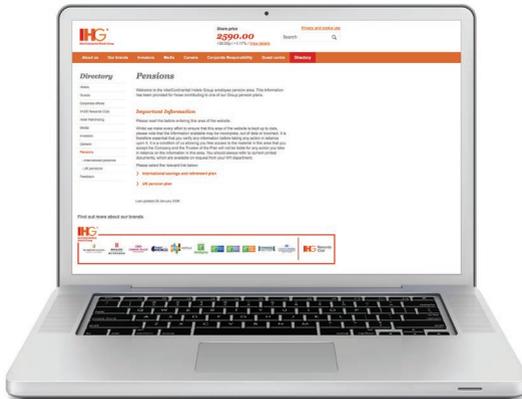
@ enquiries.pensions@ihg.com

Visit the pensions website

Have you visited the pensions area of the IHG website? On the site, you'll find:

- Useful information about the Plan;
- Downloadable handbooks, forms, newsletters;
- The Trustee's Annual Report and Accounts; and
- Useful links to other pension-related sites.

Why not check it out today at www.pensions.ihotelsgroup.com



Please help us to keep in touch with you by notifying BlackRock of any change to your home address. This is especially important if you are a deferred member as sadly we lose touch with a number of deferred members each year.

Contact details

 BlackRock
Churchgate
1 New Road
Peterborough
PE1 1TT

 DC Choice Helpline: 01733 353 418

 uk.ops@blackrock.com