

Pensions News

Issue
27
November 2011



Finding a good man in challenging times

With the global economy struggling to deal with the fallout from financial market crises, ongoing concerns around Government bonds in parts of Europe, the future of the Euro and high volatility a constant feature in today's world, the job of a Trustee continues to be very demanding.

Into this arena, we are pleased to welcome our new Member-Nominated Trustee Director, Ron McDermott, who comes with an impressive knowledge of the Coats group history and the ability to understand the complexities of their finances, as well as direct experience in the investment world.

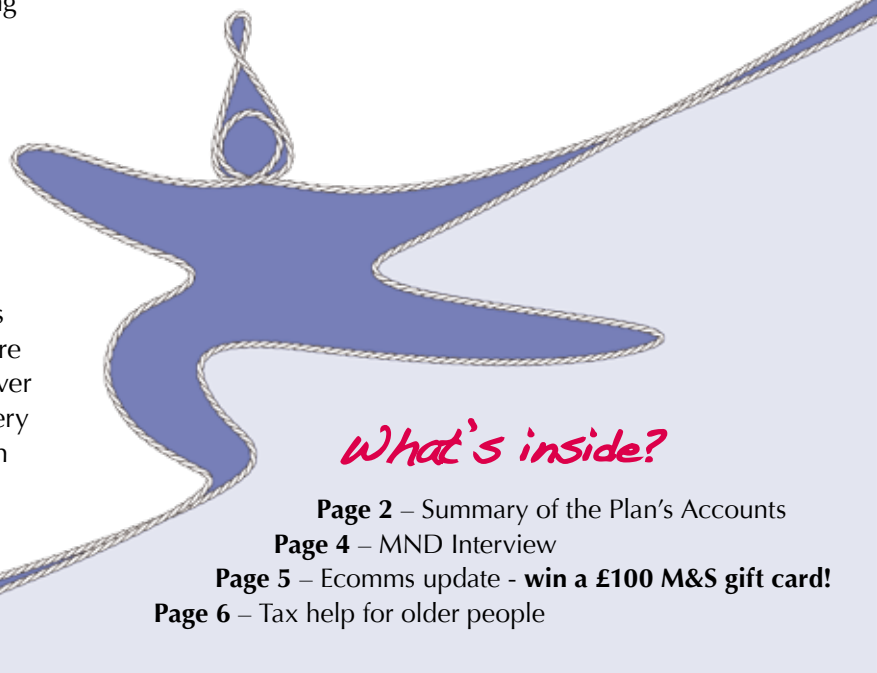
Ron has demonstrated his enthusiasm for the role by 'hitting the ground running', having already successfully obtained the Certificate for completing the training course provided by the Pensions Regulator, the 'Trustee Toolkit', before even being interviewed by the selection panel. You can learn more about Ron inside.

Most funds have been impacted by the current downturn, with equity values lower; bond yields are also at an all-time low, which directly affects the valuation of our liabilities. However, the Plan's substantial investment in bonds continues to ensure the Plan's income is structured to meet benefits over the next 10 to 15 years, thus facilitating the recovery of funding shortfalls through a long-term approach to investment.

Nevertheless, keeping a close eye on the health of Coats is also important as the Plan looks to the Company to provide financial backing as the ultimate guarantor. The Trustee is now preparing for the next triennial actuarial valuation which is due in 2012.

Laurie Todd

Laurie Todd – Chairman



What's inside?

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Summary of the Plan's Accounts as at 31 March 2011

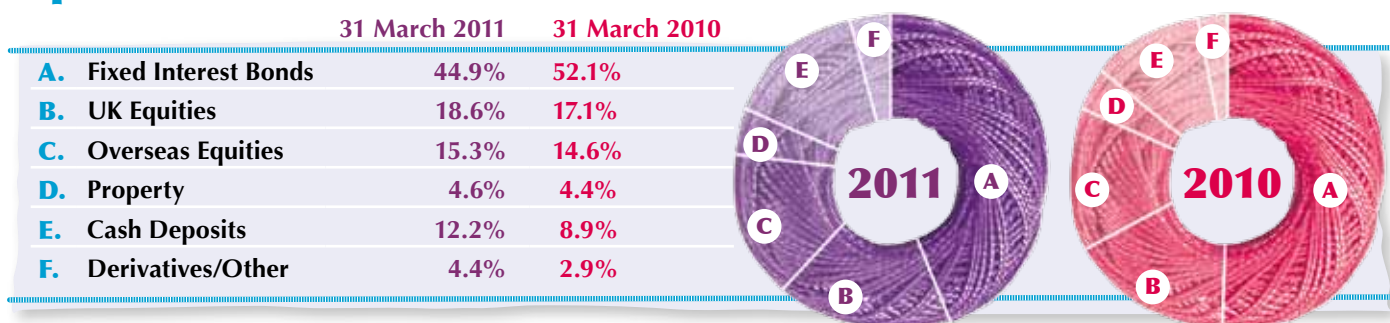
Statement from our Auditors

The Auditors conducted their audit of the 31 March 2011 accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. The following audit opinion is extracted from the 31 March 2011 accounts which were signed on 11 August 2011:

In our opinion the financial statements:

- * Show a true and fair view of the financial transactions of the Plan during the year ended 31 March 2011, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- * Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- * Contain the information specified in Regulation 3 of, and the Schedule to, The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Split of Investments



Note: The high level of cash is a technical position (collateral held as a consequence of holding derivatives) and not a strategic cash investment.

Movement of Funds for the year to 31 March 2011

Expenditure	£000s	Income	£000s
Pensions	73,191	Investment Income	47,457
Lump Sums on Retirement	4,535	Contributions	3,251
Payment for Leavers	4,377	Transfer in/Other Income	21
Investment Management Expenses	2,737		
Administration/Advisors' Fees	3,257		
Lump Sums on death	185		
Total Expenditure	88,282	Total Income	50,729

Value of Fund at 31 March 2010	£000s 1,387,788
Increase in Market Value of Investments	54,632
Income less Expenditure	(37,553)
Value of Fund 31 March 2011	1,404,867

Statement of Investment Principles

The Trustee has produced a Statement of Investment Principles in accordance with Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 and The Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations). A copy of the Statement is available on request from the Pensions Office.

Setting our Investment Objectives

The Trustee's overall investment policy is guided by the following objectives/guidelines:

- * To meet the Plan's benefit cash flows as they fall due;
- * To generate sufficient investment return to meet the cash requirements over the lifetime of the Plan;
- * To avoid forced disinvestment of 'non bond' assets at unattractive prices and, conversely, to avoid paying too high a price for an investment, where possible;
- * To recognise the relevance and implications of bond-based funding assessments in the event of the Sponsor covenant weakening, or in the event of a change of Employer;
- * To avoid extreme falls in the buyout, PPF, solvency and accounting funding measures, which are bond based, and in particular to recognise that variations in the funding level assessed on this type of measure have an impact on the cost of the Plan (PPF levy) and on disclosures to members (solvency).

The purpose of these objectives is to produce a high degree of security for the payment of benefits to Plan members.

Investment Performance

Over the year to 31 March 2011, the fund achieved a total return of 7.6% compared to a benchmark return of 7.2% as estimated by the Plan's independent performance measurer, BNY Mellon Asset Servicing.

Longer term performance figures for the Plan are shown below:

	3 years		5 years	
	Fund % pa	B'mark % pa	Fund % pa	B'mark % pa
Total Fund	6.7	7.2	4.7	5.0

Each fund manager's performance is reviewed regularly by the Trustee. The Plan's assets continue to be managed in accordance with the strategy laid out in the Investment Implementation Policy Document and any necessary rebalancing of investments is undertaken.

Investment position as at 31 March 2011:

Investment Manager	Equity %	Cash-flow Matching Bonds %	Enhanced Yield %	Total %
BlackRock	–	62.0	–	62.0
Newton Investment Management	17.5	–	–	17.5
Legal & General	14.8	–	–	14.8
Standard Life	–	–	4.5	4.5
BlackRock – Short dated bonds	–	–	0.7	0.7
Record Currency Management*	–	–	0.5	0.5
Total	32.3	62.0	5.7	100

*The contract with Record Currency Management was terminated on 31 August 2011.

Note: the split between the investment managers is a target only. At any given point in time, market fluctuations can result in a variation in the proportions held by each manager. The target cash flow matching allocation is that required to enable the Plan to meet a specified number of years' cash flows. As at 31 March 2010, approximately 62% of the Plan's assets were required to match 15 years of cash flows. The allocation to the cash flow matching portfolio has fallen to approximately 58% of the Plan's assets as at 31 March 2011 as a result of changing market conditions and the matching period falling by a further year.

Membership Figures as at 31 March 2011



MIND

Interview



In this edition of Pensions News, we welcome our new Member-Nominated Trustee Director, Ron McDerment.

Ron has an excellent Coats pedigree, but for those of you who would rather check his glossy coat for yourselves, the Pensions News team (PN) have interviewed Ron (RM) on your behalf.

PN Can you give me a brief background to your previous roles in Coats?

RM I was born with Coats blood in my veins. I come from Paisley and several generations of my family have worked in Coats. In fact, one of my ancestors was said to have worked in the Mill at the age of ten. I wasn't quite that young when I started, but my first summer job was as a waste collector in the Spinning Mill before I went to University. After completing my Economics degree at St Andrews, I returned to Coats, this time on the Expat Management Training Scheme. I spent time in Germany, Peru, Chile and Portugal before ending up as the Finance Director of Coats Crafts in Savile Row. In 1994 I left Coats for an 8 year stint in the City with HSBC James Capel, then rejoined Coats in 2002 as Corporate Development Director. I retired early in December 2007 and have been enjoying life as a Coats pensioner since!

PN So Coats has almost been a vocation for you, rather than a career?

RM Indeed it has, in fact, another of my ancestors was a stonemason who helped build the mills in Spain.

PN Has the Coats gene passed on to your children?

RM Sadly, it doesn't appear so. My son is studying for a PhD in Genetics at the Roslin Institute, while my daughter is a trainee auditor in London. But you never know!

PN Why did you want to become a Trustee?

RM Partly through personal interest – as well as my own pensioner status, my mother has a widow's pension from the Plan. My father, Bill McDerment, also worked for Coats and as Group Training Officer based in Paisley came into contact with Coats people from all over the world. In addition to a strong affinity with Coats, my interest in financial markets and economics has been both a job and a hobby. Given my background, I feel I can really make a contribution.

PN What do you see are the greatest challenges facing Trustees and pension schemes?

RM The current investment climate is undoubtedly a challenge for all pension schemes, with returns after inflation at exceptionally low levels. In addition, many schemes are either outliving - or have become significantly larger than - their original company sponsor.

PN What do you see as key for the Coats Pension Plan over the next 12-18 months?

RM Ensuring we have the best possible investment strategy to cope with the challenges posed by the economy and financial markets will continue to be a major priority. The next actuarial valuation due on 1 April 2012 will also be an important check-up on the long-term health of the Plan and the level of ongoing support required from the Company.

PN As a member-nominated Trustee Director, what do you think the membership will expect from you in the role?

RM I think that they will have the same expectations as I do - to look after all our interests and be very aware of all the risks and factors affecting the Plan. The role of the Trustee has become very demanding over the years with all the changes in legislation and requirements of the Pensions Regulator.

PN What will you do to ensure you are ready for this role?

RM I have already attended my first briefing sessions and I have completed the Trustee Toolkit (about 30 hours of work) which was very helpful. I am looking forward to attending the Trustee meetings and talking to the Plan's advisors.

PN Pensioners are often portrayed playing golf. Does this apply to you, or do you have other hobbies?

RM I am not a golfer, or at least not yet! I enjoy skiing and, since retiring have been trying to learn flamenco guitar. My wife and I recently moved to Edinburgh and enjoyed our first experience of the Edinburgh Festival as residents.

PN Well, Ron, it is good to be able to welcome you back to Scotland, and on behalf of the Pension Plan, thank you for your time today.

RM Thank you. I have always been impressed with Pensions News. I have seen other pensions communications and none have been as clear and well presented.

Pension Increase Exchange

Coats Pensions Office has been asked by the Company to make an offer to certain pensioners.

The offer involves exchanging future annual pension increases for a one-off increase (or uplift). Pensioners who accept the offer would receive the 1 January 2012 pension increase. They would then receive an uplift on 1 March 2012. The uplifted amount would then be payable for the duration of the pension and no further increases would be applied.

We started this exercise in September, and by the end of 2011 we will have contacted most pensioners (and beneficiaries of deceased pensioners) who left service before 1 April 1997 and who either have a GMP already in payment, or who do not have a GMP.

Note that only pensioners and beneficiaries who meet these criteria will be contacted about this offer.

If you have not received this offer, and you are not in this group, please do not contact the Pensions Office! We are likely to be very busy dealing with this offer over the next few months and we would ask for your patience during this time. Once this group of pensioners and beneficiaries has been contacted, we may contact other groups in future years.

Pension increase

The increase made to pensions in payment is linked to the Retail Prices Index (RPI) up to a maximum of 5%, and is agreed by the Trustee Board. The actual increase for the 12 months to July 2011 is 5% and is effective from January 2012.

On or around 21 December, pensioners will receive a Pension Pay Advice slip for the month of January which will confirm the new monthly amount (which will already have been paid on 21 December).

Deferred pensions in excess of any Guaranteed Minimum Pension will be increased at the same rate on 1 January 2012. This figure is also used in calculating the increase to the CARE pension earned by active members, who will receive a benefit statement in Summer 2012 showing the total accrued pension, including the increases.

Note that those pensioners who are eligible for the Pension Increase Exchange offer will still get the 1 January 2012 increase, whether they accept the offer or not.

Ecomms update

We are pleased to announce that the winner of the Kindle competition launched in Pensions News 26 is Mrs Sandra Clark of Swindon in Wiltshire. Mrs Clark retired from Stockley Park four years ago. She had been considering purchasing a Kindle for her next holiday and was delighted to have won our prize.

Many thanks to everyone who took part in the competition by providing their email address and we are sorry there could only be one winner! We received over 2,000 responses, which means that we still need to hear from over 90% of our members. We would especially like to encourage our active members to get in touch with their email addresses.

If you would like to help save the Plan money by receiving future editions of Pensions News and other general communications from us by email, please email us at pensions.services@coats.com and put "subscribe" in the subject box of your email. Please ensure your email includes your full name and your 7-digit plan number (you will find this on the envelope this newsletter came in). We will contact you in due course to verify your details.

In addition to saving the Plan money (and, in the future, saving yourself the cost of a stamp each time you need to contact us) you will be entered into a prize draw if you email us to let us know we can contact you electronically. The prize of a **£100 Marks & Spencer gift card** will be awarded to a member chosen at random (electronically of course) from all the emails we receive. The draw will take place after **31 January 2012**, so to be included, please make sure you send us your details before that date.

Please note, if you have provided us with an email address but you have not heard from us to verify your details, we need you to get in touch with us again. Please email us at: pensions.services@coats.com

If we are to make real savings, sending paper copies needs to be limited to those who do not, or cannot, use email and the internet. We don't want to deprive anyone of their newsletters but if you do want to continue to receive Pensions News and other general communications by post, and if you have not already done so, we need you to write to us to confirm this. We will not respond to these requests as this would incur more postage and paper costs.



Tax Help For Older People

- * Do you worry about your tax affairs?
- * Do you know if you are paying the right amount of tax?
- * Are you afraid of approaching HMRC for help?

TaxHelp for Older People (TOP) may be able to help you. TOP is an independent free tax advice service for older people on low incomes who cannot afford to pay for professional advice.

They have a team of over 720 volunteers throughout the United Kingdom. If they cannot arrange a face to face meeting, they will always offer advice by telephone or post.

If you are a pensioner who resides in the UK and your household income is less than £17,000 per year, you may qualify for free tax advice from TOP.

You can contact TOP on the helpline:
0845 601 3321 or 0130 848 8066

Or write to:

**TaxHelp for Older People
Pineapple Business Park, Salway Ash,
Bridport, Dorset, DT6 5DB**

Pensioner Pay Dates

The December instalment of pension will be paid on Wednesday 1 December. The next payment after that, on Tuesday 21 December, is the pension instalment for January 2012.

There is no pay date in January 2012 because it is paid in advance, in December, due to Bank Holidays. The next pay date after 21 December is Wed 1 February 2012. This is the pension instalment for February.

Note: This does not mean that pensioners are missing a payment – the January instalment is paid in December so that it is in your account before the Christmas and New Year holidays.

A full list of the pay dates for 2012 is printed below.

Pensioner Payments for 2012

Payment for (month)	Paid on (date)
January	Wed 21 December 2011
February	Wed 1 February 2012
March	Thurs 1 March
April	Fri 30 March
May	Tues 1 May
June	Fri 1 June
July	Fri 29 June
August	Wed 1 August
September	Fri 31 August
October	Mon 1 October
November	Thurs 1 November
December	Fri 30 November

Local Holidays

The Pensions Office is open from 9am until 5pm, Monday to Friday. We are closed for Christmas and New Year holidays on the following dates:

Friday 23 December 2011 (from lunchtime) until Wednesday 4 January 2012 at 9am.

A full list of holidays for next year will be printed in the next edition of Pensions News (expected in Spring 2012).

As this is our last Pensions News of this year, we take this opportunity to wish all our members a Merry Christmas and a very happy 2012!

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