

Timeline

April 2015

Your annual newsletter from the Trustees



HEADLINE NEWS

New pension flexibilities –
how do they affect you?

Member survey results

Improved funding position

Changes to the Trustee Board

New contact details

Xerox Final Salary Pension Scheme

Hello, and welcome!

As you can see, this year's newsletter from the Trustee of the Xerox Final Salary Pension Scheme has a fresh new look. We hope that you find it easier to read and that it helps you to understand more clearly your benefits in the Scheme and how the Scheme is managed.

We, as Trustee Directors, manage the Scheme for the benefit of all its members. We have seen some changes to the Trustee Board over the year, including the appointment of a new Member Nominated Trustee Director and the retirement of our long-standing Independent Trustee. You can find out more on pages 14-15.

We hope you enjoy reading this issue of *Timeline*. We'd love to hear what you think – please drop us an email or call us, using the contact details on page 19.

As usual, this issue of *Timeline* sets out how the money in the Scheme is invested, the financial activity of the Scheme during the year to 31 March 2014 and other matters of general interest to members.

As you may have read in the press, the Government is aiming to allow defined contribution (DC) pensions to be taken in a more flexible way subject to a given scheme's rules. Although this mainly affects people with DC savings, (and it does not affect those members who are already drawing a pension from the Scheme) – we have summarised the key points for you on pages 4-5.

We sent you an updated summary funding statement last year, telling you about the Scheme's funding position as at 31 March 2013. This showed that on an 'ongoing' basis the Scheme's funding deficit was £477m and the funding level was 82%. A year later, the deficit had reduced to £335m (a funding level of 87%). The Trustee was pleased to see this improvement to the Scheme which is reflecting positive investment performance and better economic conditions. More detail is shown on pages 8-9.

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The number of Member Nominated Trustees (MNTs) on the Board, including our newest MNT John Prynne who joined on 1 January 2015



3.1%

Growth of the Scheme's investments over the year to 31 March 2014

£142m

The reduction in the deficit between March 2013 and March 2014



You are one of around

14,236

members in the Scheme



New pension flexibilities – how do they affect you?

The Government wants to give people much more flexibility and choice at retirement.

The changes are mainly targeted at people with defined contribution (DC) pension arrangements, but the Government has confirmed that the increased flexibility can also be accessed by people in defined benefit pension schemes (such as the Xerox Final Salary Pension Scheme), if their Rules allow them to transfer their benefits out to a DC arrangement at retirement.

It does not, however, apply to anyone who is already receiving a pension from the Scheme – so if you're a pensioner, there's no need to read on.

If you keep your pension in the Final Salary Scheme and you have not paid AVCs

No change. You will still be able to take around 25% of the value of your pension as a tax-free lump sum, and then receive a monthly income for the rest of your life.

If you keep your pension in the Final Salary Scheme and you have paid AVCs

You will have a little more flexibility. You can take the whole of your AVC account as a lump sum (part of which may be taxable) or you can transfer the whole of your AVC account into a DC plan, where you will have the options set out in the next page.

What's the earliest you can take your benefits?

The earliest you can take your benefits is 55. However, the Government wants to increase this minimum pension age to 57 by 2028, and then set it at 10 years below State Pension Age. So, as State Pension Age gradually rises, so too will the minimum pension age. Note: to draw your FSS benefits you need to either leave Xerox or take flexible retirement.

If you haven't started to draw your benefits, you have the option of transferring the value of your FSS pension into a DC plan, which would give you the following options from April 2015:

Full withdrawal

If you are 55 or older, you will be able to take your entire pension savings as cash. The first 25 % will be tax free and the remaining 75 % will be taxed at your marginal rate of income tax.

Annuity

An annuity is an insurance product that pays you a guaranteed income for life, in exchange for a lump sum payment to the insurer. You can set up the annuity to meet your specific needs – for example, if you are in poor health you might get a higher payment.

Flexible withdrawal

If the DC plan allows it, you can keep your pension savings invested and withdraw money as and when you need it. The first 25 % of each withdrawal will be tax free and the remaining 75 % will be taxed at your marginal rate of income tax.

New retirement products?

We expect that pension providers will launch new retirement products in response to the new flexibilities.

The option to take 25% as tax-free cash remains.

The above is not an exhaustive list and you should consider getting professional financial advice to help you make this important decision. Indeed, under the new regulations, you will be required to pay for advice from an FCA-authorized adviser before the transfer can go ahead, if your benefits are valued at more than £30,000. You can find a suitable and independent financial adviser on this website: www.unbiased.co.uk

If you are an employed member or a deferred pensioner and are interested in transferring the value of your FSS pension or your AVCs into a DC plan, contact the Admin Team Leader, Victoria Finn, for details. If you decide to go ahead (and your pension is valued at more than £30,000) the Trustee needs a set confirmation under the regulations from you about the independent appropriate advice you have received, so if you go down this route make sure your adviser is aware of these requirements.

Scheme noticeboard

Taking care of business



The Scheme's administration is carried out on behalf of the Trustee by Xerox Benefits Administration Services.

The Scheme administration has recently moved from High Wycombe to Xerox Benefits Administration Services' main administration centre in Bristol. (However, their postal address directs

correspondence to a central point in Gloucestershire, where it is sorted and scanned before being sent on to the relevant centre.)

If you have any questions about your pension, please get in touch with Xerox Benefits Administration Services' Team Leader, Victoria Finn (pictured left), using the details below.

Tel: 0870 240 0449

Email: xerospensions@xerox.com

Postal address: Xerox Benefit Administration Services, Building 12, Unit D, Vantage Point Business Village, Mitcheldean, Gloucestershire GL17 0DD

Results of member survey

In September 2014, we carried out a survey of:

- members who in the previous 12 months had some general contact with Xerox Benefits Administration Services
- and
- members who had gone through the retirement process.

The feedback we received from members was generally very positive, especially when you consider that the survey focused on a period of unprecedented activity in the Scheme, as this covered the period of the closure of the Final Salary Scheme.

Key results

88.6% rated the overall service as 'good' or 'very good' (this figure increased to 94.7% among newly retired members).

89.9% said the information was provided within the expected timescales.

93.1% of respondents said the Pension Team 'met or exceeded expectations' with regard to the efficiency of their service (94.8% among newly retired members).

We'd like to thank everyone who completed the survey – your comments have been taken on board and will be used to further improve our service.

From April 2015, Xerox Benefits Administration Services are introducing new work target turnaround times in order to provide members with an even faster service.

Changes to our pensioner payroll

We recently moved to a new pensioner payroll system, which means all of our pensioners have a new reference number. Please note that the tax office address and PAYE tax reference number have not changed, however you will see a difference in the style of payslip issued. Changes have also been made to the issue of P60 forms whereby pensioners will receive a P60 form separately to any payslips that may be issued in May 2015. This is a change to previous years where a combined payslip and P60 form were issued. If you need to contact Xerox Benefits Administration Services or HMRC, please remember to quote your new reference number. You will find it on your 1 April 2015 payslip – so please make a note of it.

Pension increases

With the exception of the GMP part of their pension, pensioners and deferred pensioners will have a 1.6% increase in their pensions, from April 2015. (Members who have retired in the last 12 months will receive a proportionate increase.) For full details of how pensions are increased, please see the explanatory factsheet on the Xerox Pensions website: www.xeroxpensions.co.uk/pdf/pifact.pdf

Do you have a small pension?

If you're over age 55 and a deferred pensioner with a small pension (roughly less than £500 per year) you may apply to convert the pension into a cash sum, but this is subject to various terms and conditions. Please contact Victoria Finn if you are interested.

Funding update

This statement provides members with information about the financial position of the Scheme as at 31 March 2014 – the date of the most recent actuarial update completed by the Scheme Actuary.

How is the financial position of the Scheme measured?

The financial position is determined by comparing the value of the Scheme's assets with an estimate of the current value of the Scheme's liabilities, which are the total of all members' benefits that will be paid in the future. This is called an actuarial valuation.

A full actuarial valuation is carried out every three years; there is an interim review in other years. In the valuation, the Scheme Actuary compares the value of the Scheme's assets to its liabilities using two approaches, the technical provisions basis and the buy-out basis.

The technical provisions basis requires the Trustee to adopt a prudent set of assumptions and this basis is used to determine the funding level and where appropriate, the extent of any deficit or surplus. If there is a deficit the Trustee and Company must agree how it will be made good. The buy-out basis is a more conservative approach and assumes that all liabilities of the Scheme are secured through an insurance company and is seen as a desirable long-term target.



What is the funding position of the Scheme?

The valuation as at 31 March 2013 showed that the Scheme had a funding level of 82%. The assets fell short of the total amount required to meet all liabilities, by £477m. As at 31 March 2014, the date of the most recent update, the funding level was estimated as 87% with a deficit of £335m. The funding level on a technical provisions basis improved over the year, as a result of better financial and economic conditions.

The estimated liabilities on the buy-out basis are not updated annually, so this statement repeats the findings of the 2013 valuation, which is that the funding level on the buy-out basis was 60%.

The next full valuation of the Scheme will look at the position as at 31 March 2016.

What is the Trustee's funding plan?

To correct the shortfall in the funding level the Trustee has agreed a plan with Xerox to eliminate the shortfall of £477m by the end of 2024. This involved the Company committing to make significant additional cash contributions to the Scheme.

How secure is my pension?

As part of the valuation process, the Trustee has taken advice on Xerox's ability to continue to support the Scheme and the Trustee considers it likely that the Company will be able to do this.

The Government has set up the Pension Protection Fund (PPF) to pay a level of benefits to members in the event that employers become insolvent and are unable to meet their pension commitments and there are insufficient scheme assets to provide better than the PPF level of compensation.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.

Note: Legislation requires that this statement should state whether there have been any refunds paid to Xerox or if the Pensions Regulator has made any modifications or directions on the Scheme – there have been no refunds, modifications or directions.

2014 investments

The Trustee is responsible for the investment of the Scheme's assets. To help with this, there is an 'Investment and Funding Committee', which focuses on the Scheme's investment strategy and risk management, while the day-to-day management of the Scheme's assets is undertaken by specialist investment managers.

The Trustee's current focus is to diversify the Scheme's investments – reducing the allocation to equities and introducing several new asset classes (for example commercial real estate debt, direct lending and opportunistic credit) and to gradually reduce the sensitivity of the Scheme's funding level to changes in interest rates and inflation. These actions are intended to reduce the volatility of the Scheme's funding level.

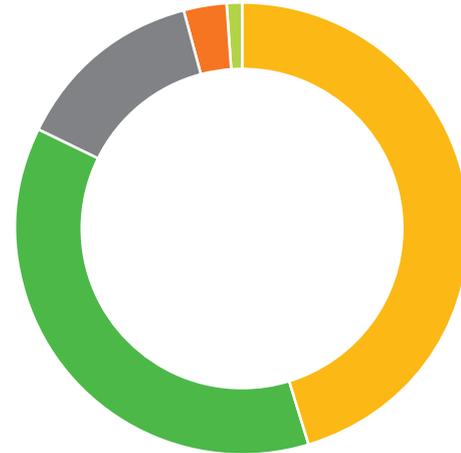
So is the strategy paying off?

Although not yet fully implemented, the Trustee's strategy is already starting to reduce the volatility of the Scheme's funding level.



How is the Scheme currently invested?

The pie chart below shows how the Scheme's assets were invested at 31 March 2014.



● Bonds	45.4%
● Equities	36.9%
● Alternative types of investment (including Property)	13.6%
● Cash	3.0%
● AVCs	1.1%

If you're paying Additional Voluntary Contributions (AVCs)*

The table below shows the annualised performance of the AVC funds over one and three years to 31 March 2014 – but please remember that past performance should not be used as an indication of future investment returns.

	1 year to 31 March 2014	3 years to 31 March 2014
With-Profits Fund	5.7%	5.4%
Cash Fund	0.5%	0.5%
Global Equity Fund	8.1%	8.1%
Pension Annuity Fund	(0.2%)	9.7%
Corporate Bond Fund	1.3%	7.1%
Index-Linked Government Bond Fund	(4.6%)	8.7%

The Lifestyle Strategy is designed for AVC Plan members who intend to use their AVCs to provide an annuity and who do not want to take an active part in managing how their AVCs are invested. The strategy invests all of your AVCs in the Global Equity Fund until you are five years from your selected Target Retirement Age (TRA) – it then gradually switches your investments into the Pension Annuity Fund so that when you get to your TRA all of your AVCs are invested in this fund.

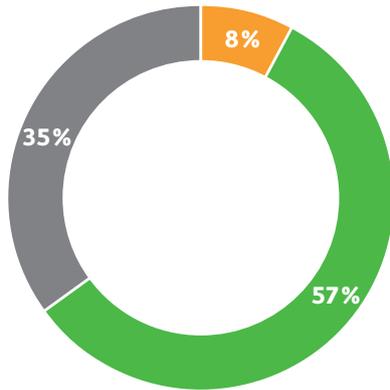
You should keep your TRA under review and contact Fidelity if you need to change it. The Lifestyle Strategy may not be appropriate if you plan to take all of your AVCs as a lump sum.

It is important that you review how your AVC fund is invested to ensure that it is appropriate to the way you plan to use your AVCs. We strongly recommend that you take independent financial advice when reviewing your investment options. Neither the Trustee nor Xerox can give financial advice.

* Note: Members can only pay AVCs if they started paying them before 1 January 2014.

Facts & figures

The next two pages contain facts and figures about the Scheme, including the income and expenditure for the Scheme in the year to 31 March 2014 and the latest membership figures taken from the annual report and accounts.



● Employed members*	1,127
● Pensioners	8,157
● Deferred members	4,952
Total	14,236

* From 31 December 2013, employed members stopped building up any more pensionable service in the Scheme.

2/3



Pensions being paid to our current pensioners represent almost two-thirds of the Scheme's liabilities (ie, the total of all members' benefits that will be paid in the future).



10%



On the other hand, employed members represent just over 10% of the Scheme's liabilities. As our membership continues to age, we will eventually reach the point where all our members are pensioners.



Money in **£'000**

Contributions from members	4,163
Contributions from the Company	43,323
Other income	244
Investment income	28,438
Total	76,168

LESS**Money out** **£'000**

Pensions	80,633
Payments for leavers	2,927
Lump sums (on retirement or death)	8,415
Administration costs	1,938
Pension Protection Fund levy	459
Life assurance costs	215
Total	94,587

The big picture**£'000**

Income less expenditure	(18,419)
Value of Scheme assets as at 31 March 2013	2,182,155
Change in market value of assets	28,181

Value of Scheme assets as at 31 March 2014 **2,191,917**

You can obtain a copy of the full annual report and accounts by emailing xerospensions@xerox.com

Looking after your interests

The Scheme is looked after by a group of people called the Trustee Directors (or Trustee for short). Some of us are appointed by the Company and some of us are nominated by the members. But, however we came to the role, we all have the same purpose: to look after your benefits in the Scheme.

It's a big job but someone's got to do it...

Last year we wrote to you to say that two Member Nominated Trustee Directors (MNTs) were coming to the end of their terms of office. We had a good response to our call for nominations, which produced many high calibre candidates.



John Prynne



Chris Pinney

John Prynne was appointed as MNT in the Former Employee Constituency, replacing Chris Pinney, who stepped down after 10 years as an MNT. We thank Chris for his many years of service to the Scheme; his experience and enthusiasm for the job were greatly appreciated and we wish him all the best for the future.

We welcome John to the Board and look forward to the contribution that he will undoubtedly make to the running of the Scheme. John's background is in finance and his final role in Xerox was as Finance Director of Central Northern Entity division. His five-year term started on 1 January 2015.

Jacqui Dove, our MNT in the Employee Constituency, stood for re-selection and was reappointed and we look forward to working with Jacqui for another five-year term of office.

New Independent Trustee



Clive Gilchrist

In another change to the Board, Clive Gilchrist is stepping down after 20 years as the Scheme's Independent Trustee. He will be replaced by David Kidd from Law Debenture. David has been an independent pension trustee for six years and sits on the board of trustees of several large pension schemes. He has 25 years investment experience, 19 of which were as chief investment officer.



David Kidd

Paul Hopkins, Secretary to the Trustee, who has worked closely with Clive for almost all of his 20 years, has thanked him for his support over the past 20 years and welcomed David to the Board.

Trustee timelines



20 years ago (when Clive Gilchrist joined the Scheme) the Scheme was valued at around £700m.



10 years later (when Chris Pinney joined as MNT) this had more than doubled to £1.5 billion.



Today, the Scheme is worth almost £2.4 billion!



Who's who on the Board

1 →

Independent Trustee

(appointed by the Company)

David Kidd, Law Debenture Pension Trust Corporation plc, appointed from 1 April 2015.

1 →

Member Nominated Trustee Director (Employee Constituency)

(members of Final Salary and FundXtra who are still working for Xerox)

Jacqui Dove, Employed member. Re-appointed 1 March 2015. Xerox Europe Internal Controls Controller. Joined Xerox 1989.

2 →

Member Nominated Trustee Directors (Former Employee Constituency)

(deferred and pensioner members of Final Salary and FundXtra who are no longer employed by Xerox)

Lewis Stringfellow, Pensioner. Appointed 2012. Joined Xerox 1979. Retired from Xerox 2010.

John Pryne, Pensioner. Appointed 2015. Joined Xerox 1977. Retired from Xerox 2002.



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Company Appointed Trustee Directors

Robert Thomas, Chairman. Tax Director, Eastern Hemisphere. Appointed 2008 (re-appointed Chairman 2015). Joined Xerox 2006.

Sarah Neighbour, Chief Accountant, Xerox UK. Appointed 2014. Joined Xerox 1995.

Peter Romaine, GDO XE Programme Director. Appointed 2010. Joined Xerox 1987.

Rhonda Seegal, Vice President and Treasurer, Xerox Corporation. Appointed 2005. Joined Xerox 2003.

Our advisers

The Trustee Directors are supported by a number of advisers who are specialists in their respective fields. We regularly review our advisers to make sure they're delivering value to the Scheme.

Scheme Actuary	Richard Akroyd of Towers Watson Limited
Investment advisers	Redington Limited
Auditors	Crowe Clark Whitehill LLP
Bankers	Lloyds Bank plc
Administrators	Xerox Benefits Administration Services
Legal advisers	Sacker & Partners LLP
Covenant advisers	Lincoln LLP

Death benefits – IMPORTANT

The Scheme will provide you with a pension, but it may also pay benefits to your family on your death before retirement. This might be a pension or a lump sum benefit.

If you have a partner to whom you are not married, they may not always qualify automatically for a pension following your death. You should complete a partner's pension nomination form, so that the Trustee will consider paying a pension to your partner in the event of your death. You can download this form from the Xerox Pensions website.

Where a lump sum is payable, the Trustee has discretion who to pay it to; for example, to your family or dependants (or a charity nominated by you). Although the Trustee ultimately decides who will receive the benefit, we will always take your wishes into account. So please remember to complete an expression of wish form and keep it up to date as your circumstances change. You can download an expression of wish form from the Xerox Pensions website.

If you're a pensioner who has been drawing a Xerox pension for more than five years, you don't need to complete an expression of wish form. However, if you've been drawing it for less than five years, or if you're an employed and deferred member, you should make sure that we have an up-to-date form.

Please remember to tell the Xerox Benefits Administration Services if you change your address or name.

Contact us

You can contact Xerox Benefits Administration Services in any of the following ways:

- by telephone on **0870 240 0449**
- by email on **xeroxpensions@xerox.com**
- by letter to **Xerox Benefit Administration Services, Building 12, Unit D, Vantage Point Business Village, Mitcheldean, Gloucestershire GL17 0DD**

Looking after your data

Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as 'data controllers' under the Act). Data controllers would include the Trustee of the Scheme, and, in certain circumstances, professional advisers to the Scheme. These may include the Scheme actuary and Towers Watson, who have provided further details on their processes at: www.towerswatson.com/personal-data

How you can help when you contact us

To help Xerox Benefits Administration Services deal quickly and efficiently with your enquiry please give as much information as possible about yourself at the time you make the enquiry. Our main method of identifying you, the member, is by your National Insurance number so the best way to ensure we find your record without delay is to include this in any letter, fax or email or to have it available if you telephone.

If you are not able to give us your National Insurance number, please give as much detail as possible about your employment and include your full name, date of birth and any previous names you may have had.

The information on pages 4 & 5 is based on our current understanding and interpretation of the Treasury's response to consultation "Freedom and Choice in Pensions" and published draft legislation as at March 2015. The benefits and options outlined in this newsletter are only shown in summary form. The benefits under the Scheme are subject to the Trust Deed and Rules.



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www.wordshop.co.uk