THE PROFESSIONAL JOCKEYS ASSOCIATION PENSION SCHEME

INTRODUCTION

The international economic situation has been challenging over the past twelve months and it remains so. European countries are poorer than they were and all European governments, including the British government, are seeking to reduce future welfare expenditure – especially the future costs of state pensions.

Over the next ten/twenty years, the 1960's (baby boom) generation will retire, meaning there will be lots more people receiving state pensions. People are living longer too, so state pensions have to be paid for much longer. The government can only make ends meet by cutting future costs, which will mean lower state pensions for many people and greater reliance on personal savings, or private pension provision.

The uncertain nature of jockeys' earnings and their short careers make it essential they save up for their retirement every year. Even though many later embark on second careers, the £'s invested in the early years of working life will usually add the most value to the final pension.

The Professional Jockeys Association Pension Scheme (PJAPS) continues to play a vital role:

- by receiving and administering the 0.60% deducted from the total prize money pool under the rules of racing
- by allocating the annual sum received between those jockeys who qualify under the terms of the Deed of Trust of the PJAPS Holding Fund
- by providing a reliable "grouped" personal pension plan from a life assurance company (Aegon) selected by the PJAPS trustees, with the assistance and upon the recommendation of reputable professional advisers (Cartlidge Morland)
- by providing appropriate default investment funds, the performance of which are monitored by Cartlidge Morland, who report to the PJAPS trustees. The choice of investment funds is subject to annual consideration.
- securing cost effective terms for jockeys, thus ensuring that more of every £1 is invested for their retirement, rather than being taken in charges. Cartlidge Morland are paid an annual fee by PJAPS so no commissions or other charges are deducted from jockeys' pensions. Aegon do deduct their charges., but if a jockey choses one of the recommended default funds, this is at a maximum rate of only £7.50* per annum for every £1,000.00 invested. (By comparison, a maximum of £15.00 per annum could be deducted under the government's "investor friendly" stakeholder pensions.

** From June 2011 the management charge on the commonly used Universal Balanced Collection fund reduced from 0.75% per annum to 0.65% per annum. This means that only £6.50 per £1000 invested will be deducted in charges each year, rather than £7.50 per £1000 invested.*

Maximising Your Pension Provision

You can invest lump sums or monthly premiums in your PJAPS personal pension policy. If you are employed, your employer (even if outside racing) can invest in your PJAPS policy on your behalf.

Each individual may have a maximum of £3600.00 (gross) invested in pension policies on his/her behalf each year, regardless of earnings. For those earning more than £3600.00 per annum, the maximum is the same as total earnings, subject to an overall maximum of £50000.00 (gross) per single tax year. This £50000.00 maximum is known as the "Annual Allowance" for pension contribution purposes.

If you have not invested as much as 100% of your earnings in your pension fund over the past three tax years, you will have unused "reliefs" which you can carry forward to the 2012/2013 tax year, enabling you to invest more than £50000.00 in this tax year, if you earn more than that.

You can use the unused "reliefs" by paying a lump sum and claiming income tax relief at up to 50%, dependent upon the rate of income tax you pay. If you wish to consider doing this, it is essential that you obtain professional advice, because otherwise there is a danger that you will not obtain the most favourable tax treatment of your premiums.

Investment In Your Pension Is Supported By Generous Tax Reliefs

- If you pay income tax at the basic 20% rate, HMRC will add £20.00 to every £80.00 you invest in your pension policy. You pay £80.00 in and Aegon claims £20.00 directly from HMRC and adds it to your pension policy. For larger sums this relief is very valuable - £2000.00 can be reclaimed from HMRC for every £8000.00 you invest.

- If you pay income tax at the 40% or 50% rate, you will still qualify for the income tax relief at source explained above. Separately, your accountant will also be able to reclaim another 20% or 30% in income tax relief on your behalf, via your tax return. In other words, if you invest £8000.00, £2000.00 will be reclaimed from HMRC by Aegon, and added to your pension policy. Another £2000.00 in income tax relief will be reclaimed via your tax return, or another £3000.00 if you pay income tax at the 50% rate.

- If you are employed and your employer invests in your pension fund, you will not pay income tax or national insurance contributions (NIC's) in respect of the sums invested on your behalf. Employers can set pension contributions off against their profits as a business expense, just as they can with salaries. Unlike payments of salary, pension contributions are not subject to employers' NIC's at 13.80%, so there is a benefit to employers in rewarding via pension contributions, rather than via payment of salaries or bonuses. Of course, it is highly beneficial for the employee too.

- Capital profits accumulated within your pension fund as your investments grow are tax-free. Re-invested dividend income from underlying shares, or yields from corporate bonds are tax within your fund, but generally at a lower rate of tax than you would pay. Yields from underlying gilts are not subject to income tax within your fund. This tax privileged environment helps your pension savings grow more quickly, than taxed savings would.

- Although your eventual pension is likely to be subject to income tax, you can withdraw up to 25% of your pension fund as a tax-free lump sum.

About the Universal Balanced Collection Fund

The fund is broadly two thirds invested in shares – about third in British shares and the other third in a mixture of foreign shares, with the biggest allocations to North American and European markets. The fund also provides limited exposure to the fast growing economies of the Far East and others such as Australia, South America, Russia and India.

Shares fluctuate in value – sometimes to a considerable degree. On the other hand, they have been proven to provide better returns than other investments over the longer term. For younger people, pensions are a very long-term investment and a high degree of exposure to shares is likely to provide the best outcome at retirement.

Some say the major Western economies/companies are yesterday's story and that the young should concentrate their funds in riskier Far Eastern or Emerging Markets. A degree of exposure is certainly desirable, but lots of it would mean too much risk. Given future dependency on pension funds, it would be wrong to accept too much risk. Furthermore, Western countries and their companies are benefiting massively from selling goods and services to the Far East and Emerging Markets. Investors in mature markets benefit from this.

The fund controls risk for its investors by being about 1/3rd invested in lower risk assets; such as cash deposit instruments (12%) and loans to the UK government (gilts) and secure UK companies (corporate bonds). Deposits and loan stock all pay interest to the fund, which is distributed amongst its investors. The capital lent is usually highly secure and is repaid at the end of the specified term of the loans. Gilts and corporate bonds can be sold by the fund to other investors at any time, if the fund's managers consider that most advantageous to investors.

The blend of risk within this fund protects investors from the full effects of stock market fluctuations – and offers a wide range of opportunity. The fact 2/3rds is invested in shares means that the fund is likely to lose ground when shares are falling in value – although not to the full extent of market falls. Encouragingly the FTSE improved by 12% between July 2012 and February 2013, and was at a 5-year high at the end of February 2013.

The Performance of Aegon's Universal Balanced Collection Fund

This is the "default" investment fund selected by the PJAPS trustees for the investment of jockeys' pension contributions. Of all the money held within PJAPS 46.20% is invested is in this fund. Below is a table comparing the performance of the fund against its peers in the Balanced Managed sector average (source Lipper to 31 July 2012 Total Return UK£) There is no requirement to invest in either of the default funds selected by the PJAPS trustees. Aegon offer a wide range of investment funds and details of all the options can be found at www.aegon.co.uk/funds/resources/funds-factsheets or on the PJA website.

Cumulative Performance % (total growth over time frame quoted)

	3 Months	6 Months	1 Year	3 Years	5 Years
ABI UK - Mixed Investment 40%-85% Shares-Pen	2.51	7.29	9.98	17.41	12.4
Scottish Equitable Universal Bal Collection-Pen	2.03	5.64	8.51	15.22	11.25

Discrete Performance since the inception of this portfolio service

	2008	2009	2010	2011	2012
ABI UK - Mixed Investment 40%-85% Shares-Pen	-20.53	20.47	12.28	-4.93	9.98
Scottish Equitable Universal Bal Collection-Pen	-19.01	19.23	11.72	-4.96	8.51

Cartlidge Morland's comments on the fund's performance are that it has performed broadly in line with the average for the "mixed investment (40-85% shares) sector". They go on to explain that the sector within which the fund's performance is being compared to is a very broad one. It includes many pension funds offered by a wide range of life assurance companies. Some of these funds are far more conservative than the Universal Balanced Collection fund, with as little as 40% invested in shares. Since the credit crunch in 2008, gilts (government debt) have substantially increased in value, owing to the perceived lack of safety in other assets. This has flattered the performance of funds with less exposure to shares – but despite this, the Universal Balanced Collection fund has kept pace with the sector average. Its greater exposure to shares is likely to pay-off over the longer term.

Introducing A Lower Risk Default Fund for PJAPS Members

The PJAPS trustees have become conscious that some members of the scheme have reached, or are reaching "normal retirement age". By this we mean that some who retired from racing as youngsters have now ended, or are approaching the end of their second careers. This means that more are now drawing income from their policies – often by buying annuities – and their number will steadily increase. Whether approaching retirement or otherwise, some will require/prefer a lower risk investment approach than is offered by the **Universal Balanced Collection** fund.

On the recommendation of Cartlidge Morland, the trustees have taken the decision to make a second default fund available, which offers a lower risk approach.

The 70/30 Defensive Managed Collection (the "**70/30"** fund) is an Aegon investment fund offering investors "less than average" risk. This does not mean there is no risk, or any form of guaranteed investment return. The fund still has c 30% exposure to British and overseas shares – but this is far less than the 2/3rds exposure within the **Universal Balanced Collection ("Universal")** fund. The more defensive "**70/30"** fund is instead c 70% invested in fixed interest / cash investments, in comparison to the c 34% exposure to such investments under the "**Universal"** fund.

Although it cannot be guaranteed, those who are more than five years from drawing their pensions, are likely to be better served by investing in the **"Universal"** fund. There may be some who are unwilling to accept the risks within this fund and who require an investment approach with lower risk. For those sharing this attitude to risk, the "**70/30"** fund may be more suitable.

If you are within five years of drawing your pension – you should at least consider whether you are wiling to continue accepting so much investment risk, or whether you should reduce it, by switching all / part of your pension fund from the **"Universal"** fund into the "**70/30"** fund. There is usually no cost involved in switching, although the "**70/30"** fund is subject to a slightly higher management charge of 0.75% per annum (£7.50 per annum for every £1000 invested). The **"Universal"** fund costs £6.50 per annum for every £1000 invested. The difference in cost is so slight that you should not let this influence your investment decisions in relation to risk.

The "credit crunch" of 2008 resulted in massive falls in financial markets and consequently, the "**70/30"** fund has out-performed against the **"Universal"** fund over the past five years, on a cumulative basis. Whilst this exceptional event illustrates the potential benefit of holding lower risk investments when closer to retirement, it should not be taken as an indication of the most likely long-term outcome. Cartlidge Morland emphasise their view that for those willing to accept the risks, the **"Universal"** fund is likely to deliver the better overall return for longer term investors, although this cannot be guaranteed.

Summary of Recent Rule Changes

It used to be the case that an individual would have to draw pension income by age 75, under HMRC rules and that after age 75 annuity purchase was compulsory.

The rules have since changed. **If you want to draw a tax-free cash lump sum, you must do so before your 75th birthday.** Should you prefer not to draw your pension, or your entire pension, from your 75th birthday, there is no longer any compulsion to. If you are drawing your pension after age 75 you may now leave the fund invested and draw an income directly from it, rather than buy an annuity.

Your PJAPS pension is held in trust and if your death occurs before you draw either a tax-free cash lump sum, or pension income, the full value of your fund will be paid to your beneficiaries – without any tax being payable.

Once you draw either tax-free cash or income from your pension fund, a tax potentially becomes payable on death. A surviving spouse can opt to buy an annuity with all / part of the fund, or he / she can leave it invested and draw an income from it. This enables the surviving spouse to generate income from 100% of the fund and only on the spouse's death will the fund be taxed. The tax rate currently applicable is 55% and it has reduced (in these particular circumstances) from an effective previous rate of 82.50%. The tax is not payable in respect of any portion of the pension fund left to officially recognised charities.

Alternatively, the surviving spouse might request that the entire pension fund is released to him / her as a lump sum, for he / she to use freely. This option is available if the original policyholder's death occurs prior to age 75. The disadvantage in taking it is that a tax charge of 55% of the fund value will be deducted, before the fund is paid to a surviving spouse. This is a major disincentive and the tax charged has increased from 35% to the current 55% rate.

Members of PJAPS are encouraged to complete a "death benefit nomination form" advising the trustees who they wish to benefit from their pension funds in the event of their deaths. The forms can be obtained from Cartlidge Morland and members should ensure that the contents reflect their current wishes. A death benefit nomination may be altered by completion of a fresh form at any time.

Guidance Is Available

If you are in doubt as to which of the default funds you wish to select, guidance is available from Cartlidge Morland. Please contact Jason Hamilton (jason.hamilton@cartlidgemorland.co.uk) or telephone 020 7709 5560 and ask for him if you need help.

It is essential that jockeys remember that PJAPS is not responsible for their individual investment decisions and that they must either take responsibility themselves, seek advice from Cartlidge Morland, or from other independent financial advisers.

What Happens When I Want To Draw My Pension?

PJAPS is designed to provide its members with maximum flexibility when drawing benefits, within the rules laid down by HM Government.

There is a complex range of alternatives available. For instance you can draw 25% of your fund as one tax-free cash lump sum, or you can draw the tax free cash lump sum in stages. You can use all / part of your fund to buy an annuity, or you can leave all / part of it invested then draw an income directly from it in the manner of an investment portfolio.

If you buy an annuity, there will be lots of options available which will affect the amount of income you can draw. For instance, you can provide a spouse's pension payable throughout his/her lifetime, or opt to have your pension increasing gradually, to take account of inflation. These options will all potentially add to your financial security, but they will also reduce the pension you initially receive. Several conflicting factors may need to be reconciled.

Another point is that annuity rates vary between life assurance companies, so you do not have to buy an annuity from Aegon, should you choose to buy one. Cartlidge Morland, or other independent financial advisers, will be able to arrange for you to buy your annuity from the life assurance company offering you the best rate at the time you draw your pension.

PJAPS strongly recommend that PJAPS members seek advice either from Cartlidge Morland, or from other financial advisers, when considering these options. These are decisions with long-term consequences and once made, with instructions given to Aegon, they cannot usually be changed. You are likely to get the most out of your PJAPS and other pension policies with the benefit of independent financial advice.

THE PROFESSIONAL JOCKEYS ASSOCIATION PENSION SCHEME
SUMMARY OF 2012 RIDE ALLOCATIONS

	2012	2011
Total payments from Prize Money Pool to Weatherbys	548,001	527,563
Prior Year Forfeiture (due for allocation in current year)	10,343	19,946
	558,344	547,509
Less: Expenses	-	-
	558,344	547,509
Interest Received	12,434	9,314
TOTAL DUE FOR ALLOCATION	**£570,778**	**£556,823**
ALLOCATION BASED ON 71,615 (2011—75,865) ELIGBLE RIDES AT A RATE OF £7.97 (2011: £7.33) PER RIDE:		
Aegon Scottish Equitable	454,609	435,255
Other Third Party Schemes	70,303	67,165
Jockeys with no forms completed (in respect of current year)	45,859	53,670
	570,771	556,090
Difference due to roundings	7	733
	£570,778	**£556,823**
REPRESENTED BY		
Cash held at Weatherbys at 31 December 2012 (303812)	560,060	536,877
Interest earned on prior years accounts (due to be allocated) but not transferred to the 2012 account until 15 January 2013	226	-
Interest earned on 35 day contingency account (due to be allocated) but not transferred to the 2012 account until 01 January 2013	149	-
Prior Year Forfeiture Debtor	10,343	19,946
	£570,778	**£556,823**

ALLOCATION OF RIDES FROM PREVIOUS YEARS DURING 2012

	2012 Account	Previous Year
Cash held at Weatherbys at 01 January 2012	536,877	155,108
Closure of Account	(26,759)	26,742
Interest Receivable	2,572	3,625
	512,690	185,475
Less: Expenses	-	(8,400)
Less: Allocation made in year	(512,690)	(61,522)
Less: Transfer to 2012 account	-	(5,804)
Cash held at Weatherbys at 31 December 2012	**-**	**£109,749**
REPRESENTED BY		
2011 Account (301720)	-	-
Prior Year Account (587979)	-	18,253
Prior Year 35 Day Account (304853)	-	63,454
Prior Year Contingency Bond (304854)	-	28,042
	-	**£109,749**

RECONCILIATION OF WEATHERBYS ACCOUNTS TO SCHEME LIABILITIES

BANK BALANCES AS AT 31 DECEMBER 2012

Prior Year Weatherbys Account (587979)	18,253
Current Year Weatherbys Account (303812)	560,060
Prior Year 35 Day Notice (304853)	63,454
35 Day Contingency (304854) - interest only	148
	£641,915

LIABILITIES AS AT 31 DECEMBER 2012

FUNDS HELD PENDING ALLOCATION	
Jockeys with no forms completed and insufficient relevant earnings	71,137
2012 ALLOCATION	
Aegon liability	454,609
Other third party schemes	116,162
Roundings	7
TOTAL LIABILITIES	**£641,915**
LIABILITIES IN EXCESS OF BANK BALANCES	**-**

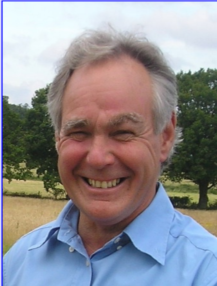
Chairman: Adrian McGlynn

Adrian McGlynn, Joined Weatherbys' Racing Division in 1994 with responsibility for production of Racing Calendar and Programme Books. Appointed Company Secretary in 2000 and joined the Board of Directors in 2001. Responsibility for legal and contractual matters for the whole Weatherbys organisation. Prior to joining Weatherbys, spent two years as assistant to the Director of the British Racing School and two years at the Professional Jockeys' Association in Newbury, leading the team responsible for the introduction of overnight declaration of jockeys. Deeply and passionately immersed in the sport.

Company Secretary/ Trustee: Ann Saunders

Joined the Professional Jockeys Association in 1976. Appointed Company Secretary in 1988 and to the board in 2009. Ann is responsible for the day-to-day administration of the pension scheme working closely with Cartlidge Morland, the scheme's advisers.

Trustee: Ron Atkins



Ron's riding career spanned some 26 years starting with a 5-year apprenticeship on the flat with Les Hall at Winchester. Increasing weight saw him switch to the jumps and he rode over 400 winners for various top trainers.

He was riding in 1969 when the Jockeys Association was formed and served as their first safety officer and as a Vice President until his retirement in 1987. He is an ardent supporter of the Injured Jockeys Fund and acts as a "visitor", a role which he finds rewarding and worthwhile. Ron is the longest serving Trustee having been instrumental when the scheme formed in 1984.

CEO/Trustee: Paul Struthers

Was appointed CEO of the Professional Jockeys Association in February 2012. Paul has worked in the racing industry for eleven years, most recently as Head of Communications for the British Horseracing Authority.

Trustee: Dale Gibson

Retired from race riding in 2009 and joined the Professional Jockeys Association as their Industry Liaison Officer in 2010, combining the role with consultancy and media work within the racing industry. From 1992 he served on the Jockeys' Council and was appointed a Director of the PJA in 2008.

Cartlidge Morland is the appointed adviser to the Professional Jockeys Association group personal pension scheme and PJA members can contact them at any time on matters relating to the pension scheme.

Nicola McConville
Partner, Cartlidge Morland

Nicola joined Cartlidge Morland in 2000 as Finance and Practice Manager. Prior to that she had 9 years experience as Financial Controller of two separate engineering companies – five years of which were with an international firm. Nicola was promoted to Director of Finance and Administration at Cartlidge Morland, having qualified as a financial adviser, and has subsequently become a Partner in the firm.

Jason Hamilton
Consultant, Cartlidge Morland

After completing a BA Jason joined Cartlidge Morland as a graduate trainee, subsequently becoming a Consultant in the Employee Benefits Division. Jason is responsible for a highly varied portfolio of clients including professional, industrial and charity based clients.

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