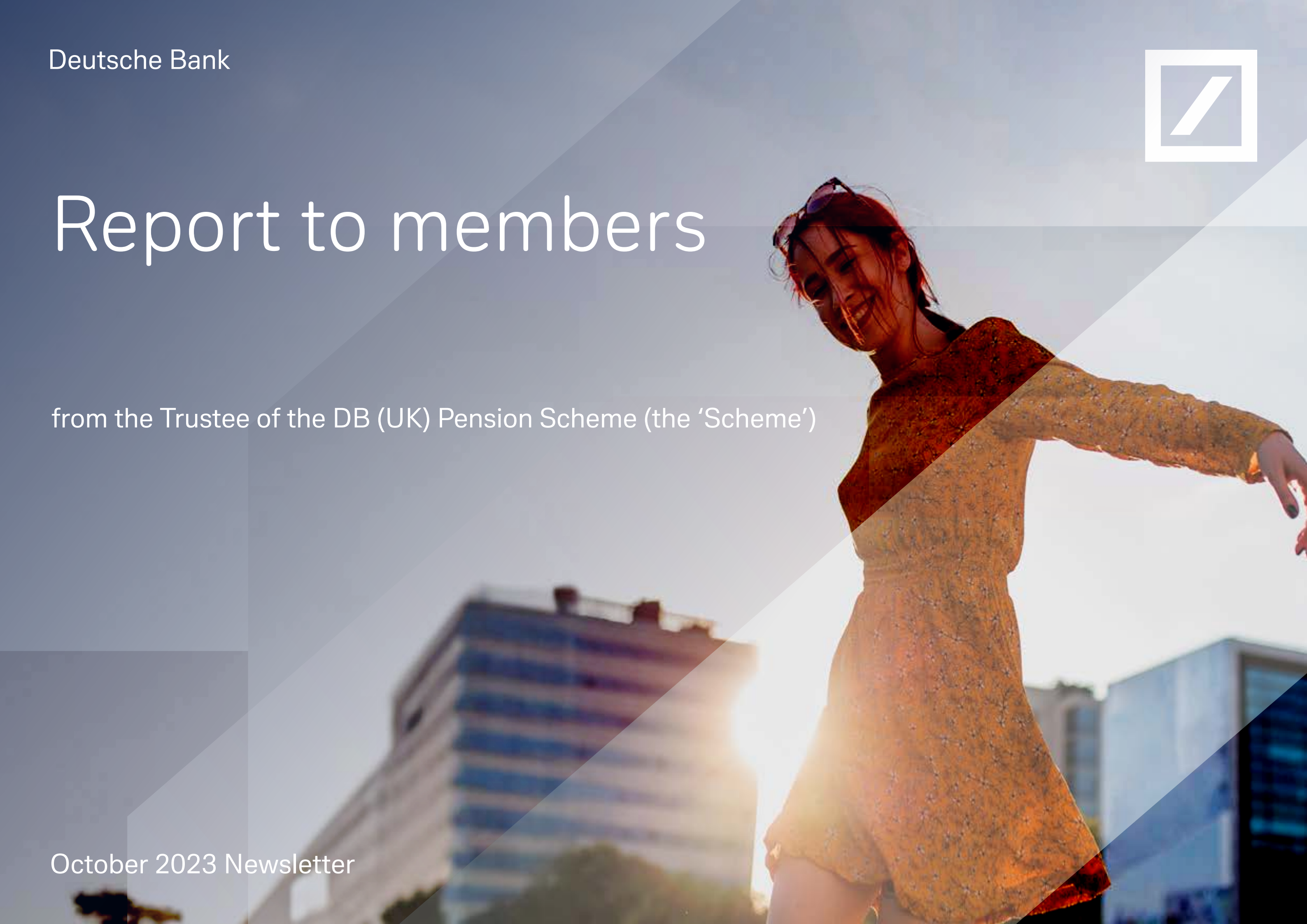
Deutsche Bank

Report to members

from the Trustee of the DB (UK) Pension Scheme (the ‘Scheme’)

October 2023 Newsletter



Contents

Welcome to your latest Scheme newsletter

Safeguarding your benefits

It is part of our duty as the Trustee to protect members' best interests and keep your benefits as secure as possible. One approach to this is 'derisking' – that is, when the financial position of the Scheme is good enough, we take the opportunity to place its assets in less risky investments. This stood us in good stead during the difficult economic conditions in 2022 and as you can read in our investment update, we have built on it further in 2023.

Volatility last autumn

As this edition covers Scheme developments over the year to 31 December 2022, you will find that some of the figures have changed significantly, for example, the fall in monetary terms of the value of the Scheme's assets, and the fall in the Scheme's liabilities.

This is because the volatile conditions towards the end of 2022 had an impact on pension schemes across the UK, ours included.

Still well-funded

As you will see from the latest Summary Funding Statement included in the newsletter, the Scheme remains in a healthy surplus position, with more than enough assets to meet its expected liabilities. In fact, the funding position increased overall, from 118% to 126%, thanks to the derisking approach mentioned earlier.

This statement, together with our investment update, gives you more detail on how the Scheme has maintained such a strong financial position.

Wider focus

We also have a large 'Newsround' section this issue, featuring updates and information on pension industry developments outside the Scheme, which we hope you find useful.

Michael Wrobel
Chair of the Trustee Board

Summary Funding Statement

Here we report on the outcome of the Scheme's latest funding update. This Summary Funding Statement applies to the Defined Benefit (DB) section of the Scheme only, and not to the Defined Contributions (DC) section or Additional Voluntary Contributions (AVCs).

As at 31 December 2022

The amount needed to meet the funding target was	£2,372.9 million
The value of the assets was	£2,988.2 million
This gives a surplus of	£615.3 million
This is equal to a funding level (including buy-ins) of	 126%

Changes since the latest valuation

The 31 December 2021 valuation found the Scheme's funding level was 118% with a surplus of £678.9 million.

Here are the main developments leading to the net improvement in the Scheme funding level over the following year.

Some funds' performance had a negative impact:

- The Scheme's growth-seeking assets decreased in value; and
- The Scheme's corporate bond assets fell in value as bond yields rose on increased interest rate expectations.

Elsewhere, there was a positive effect:

- The increase in future UK interest rate expectations led to a significant fall in the actuarial valuation of the Scheme's liabilities, as for all UK schemes; and
- The Scheme's liability-driven investment (LDI) assets performed in line with the liabilities, as part of the Trustee's well-established Scheme derisking strategy.

Overall, the Scheme's funding level has increased.

As at 31 December 2022, the total value of the bulk annuity policies purchased in November 2020 and September 2022 was £726.5 million. This is included in the funding target and asset figures shown.

An alternative view

As part of a valuation, the actuary must also calculate a different view of the Scheme's funding, known as the 'full solvency' basis.

This assumes the Scheme ended and was wound up at the valuation date. It assesses how much money would be needed to buy insurance policies for providing all members' benefits at that date.

This tends to cost more than gradually providing benefits over time because insurance policies include administration costs and a profit margin as well as pricing in a degree of caution to reduce the risk that their assumptions could prove to be wrong.

The last valuation at 31 December 2021 measured the Scheme's full solvency funding level at 98%. At 31 December 2022, it had increased to 113% (including the buy-ins).

Company support

The Company supports the Scheme financially and would pay contributions, should they be necessary. However, due to the strength of the Scheme's funding position and the ongoing surplus, no such contributions have been required for some years.

Should the Scheme's ongoing funding level fall below 100% whenever a quarterly check is carried out, the Company has agreed to re-start its contributions from the next quarter.

Since the last Summary Funding Statement, there have not been any payments from the Scheme to the Company, other than to reimburse the Company for expenses or any payments it has made on the Scheme's behalf.

We can confirm, as required, that the Pensions Regulator has not had cause to use any of its powers in relation to this Scheme.

Investment update

Please note: This investment update only applies to the Defined Benefit (DB) section of the Scheme. It does not cover the Defined Contribution (DC) section or AVC investments.

Investment activity this year was dominated by the economic turmoil in late 2022 (as we reported in our last issue). You may recall how pensions hit the headlines at the time, as falling gilt values created some challenges for schemes with assets. Other investments, such as equities, also lost value over the year.

The Scheme's LDI assets are designed to change value in line with the liabilities and, as you have already seen in our Summary Funding Statement on page 4, the Scheme remains in a healthy surplus position.

Changes during the year to 31 December 2022

- In September 2022 we invested in a second bulk annuity purchase (or 'buy-in'), this time with Aviva, to further increase the security of members' benefits.
- We reacted swiftly to market events in September 2022 by moving £230 million from across our absolute return and equity funds into the LDI portfolio.

The second buy-in now means that around 30% of the Scheme's liabilities were insured as at 31 December 2022.

Asset allocation

The table below sets out our strategic asset allocation and the actual asset allocation as at 31 December 2022, excluding the buy-ins. In practice, the actual allocations vary from day to day due to moves in investment markets - so we aim to keep this within the given percentage range.

Asset Class as at 31 December 2022*	Actual (%)	Target (%)	Target Range (%)
Non-Government Bonds**	55.9	54.0	42 – 66
Liability Driven Investment (LDI)	26.9	27.0	15 – 39
Absolute Return Bonds	0.8	8.0	4 – 12
Global Equities	6.9	6.0	3 – 9
Multi-Asset Credit	9.0	5.0	3 – 7
Cash	0.5	0.0	-

**Excluding Annuity Policies*

*** This includes the derivative-based credit mandate*

LDI

This is an approach that focuses on investments that are expected to perform in a similar way to the Scheme's current and future 'liabilities' (the changing cost of all members' benefits).

Managers and portfolios

Listed below are the investment managers and the annuity policy providers as at 31 December 2022:

Investment Manager	Asset Class
BlackRock Investment Management (UK) Limited	Bonds
Royal London Asset Management Limited	
Baillie Gifford Investment Management Company Limited	Global Equities
M&G Investment Management Limited	Multi-Asset Credit
PIMCO Europe Limited	Absolute Return Bonds
Legal & General Assurance (Pensions Management) Limited	LDI
	Derivative-Based Credit Mandate
Annuity Policy providers	
Legal & General Assurance Society Limited	Bulk Annuity Purchase Agreements
Aviva Life & Pensions UK Limited	

In December 2022, we carried out a review of our investment strategy with a view to reducing risk given the improved funding position. The new lower risk investment strategy, which was formally agreed after 31 December 2022, has a 55% allocation to non-government bonds and a 45% allocation to LDI. The allocation to LDI includes the Derivative-Based Credit Mandate. This is a financial instrument that enables the Scheme to gain exposure to assets that have similar attributes to the additional yield offered by a corporate bond in comparison to a government bond.

To implement the new lower risk investment strategy, this involved fully terminating the following funds and transferring the proceeds to the LDI portfolio:

- Baillie Gifford equity fund in February 2023
- M&G multi-asset credit fund in April 2023
- PIMCO absolute return bond fund in June 2023 (however, most of the funds were transferred into the LDI portfolio before 31 December 2022).

The asset allocation table in our next issue will reflect these changes.

Performance

Each investment manager has an agreed benchmark for assessing their investment performance. There is an aggregated benchmark for the Scheme as a whole.

The table below sets out detailed investment performance for each investment manager, and aggregated performance for the Scheme, over one and three years, and from inception to 31 December 2022 (net of fees).

This is shown with and without LDI, illustrating the effect of the LDI holding on investment performance.

As mentioned on page 3, overall the Scheme's funding level has increased, and the reduction in the Scheme's assets is not a concern. The Scheme remains in surplus, with more than enough assets to cover its expected liabilities.

Manager and mandate	Performance to 31 December 2022						Inception date
	Over one year (%)		Over three years (% annualised)		Since inception (% annualised)		
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
UK bonds							
Royal London	-18.7	-17.9	-5.0	-5.1	3.9	3.2	01/05/2010
BlackRock	-30.1	-30.8	-10.2	-10.7	2.9	2.4	15/4/2009
Global equities							
Baillie Gifford	-19.5	-7.6	4.9	7.9	11.5	10.4	01/05/2010
Multi Asset Credit							
M&G	-0.5	4.4	3.1	3.6	3.4	3.6	01/05/2019
Absolute Return Bonds							
PIMCO	-7.9	2.9	-1.7	2.1	-1.4	2.1	01/11/2019
Total returns							
Excluding LDI	-19.0	-16.7	-4.0	-3.4	—	—	
Including LDI	-32.2	—	-7.4	—	—	—	

Climate-related financial reporting: an update

In our last issue, we told you about new reporting duties that now apply across the pension industry for trustees to outline their approach to risks and opportunities linked to climate change.

The Task Force on Climate-Related Financial Disclosures (TCFD) governs this requirement and issues 'best practice' reporting guidelines. There are four 'pillars', or categories, where we can group our activities – this table gives you a brief summary.

TCFD pillar	Our actions
Governance	We developed a robust governance structure to give us a framework for making informed climate-based decisions.
Strategy	By looking at different possible scenarios, we assessed how climate change could provide both risk and opportunities to the different assets held by the Scheme. We are working with our advisers to understand and manage these risks and identify any opportunities.
Risk management	We created a plan to bring climate-based risks into our 'business as usual' risk management processes.
Metrics and Targets	We have gathered select data to allow us to monitor the Scheme's exposure to climate-related risk.

You can find our first full TCFD report for the 2022 calendar year at:

https://pensioninformation.aon.com/deutschebank/welcome1.aspx

You can also visit this site to read the Scheme's official investment documents, including the Statement of Investment Principles and the Implementation Statement.

Scheme website update

We are pleased to let you know that PensionLine, the Scheme's website, is now up and running.

We are adding groups of members to the site in stages. If you have access, you will already have heard from us with details of how to register and start using the site. There is no need to do anything if you have not received these details yet. We expect to reach everybody during 2023.

Here is a recap of what you can do on the site, depending on the type of member you are:

If you are a deferred member

- ✓ See a summary of your benefits at your date of leaving
- ✓ Use the retirement modelling tool and get online transfer values

If you have Additional Voluntary Contributions (AVCs)

- ✓ Check how your AVCs are invested

If you are a pensioner member

- ✓ Check the value of your Scheme pension
- ✓ Access monthly payslips and your annual P60

And for all members

- ✓ Check and update your personal details
- ✓ Access useful documents and Q&As
- ✓ Submit a query

Telling us your wishes

When did you last fill in an 'Expression of Wish' form?

This is the form you use to tell the Trustee who you would like to receive any death benefits payable from the Scheme after you die, so, it is very important that you keep it up to date. For example, if you have recently experienced a major life change – such as getting married or divorced, starting or ending a civil partnership, or becoming a parent – it may affect who you want to name on your form. How you update your beneficiary information depends on the type of member you are:

Active members

Go to myFlex. Under the 'Beneficiaries' section, you can add or change your Expression of Wish names and allocate the percentage of the benefit you want each one to receive.

Deferred and pensioner members

Go to PensionLine (see page 13 for more details) and, if you have already enrolled, log-in to update your beneficiary information.

Newsround

Retirement Living Standards

The Retirement Living Standards website is a useful resource to help with your retirement planning. It tackles the problem that it can be difficult to set a target for your savings if you do not know exactly how much you might need in later life.

The site establishes three levels of living standards – minimum, moderate and comfortable – and matches them to estimates of yearly income. To bring these to life, the site then breaks these income figures down into familiar expenses – for example, holidays, transport, or food shopping. This allows you to take a view on the lifestyle in retirement you might be heading for, and what you might need to do if you want to 'move up' from, say, moderate to comfortable.

Because the figures are based on ongoing research, they receive updates – so if you last looked at the site when it was first set up in 2019, there are definitely new income levels to explore. If you find the site useful, it is a good idea to check back regularly for any changes.

www.retirementlivingstandards.org.uk

Pension Wise

The Pension Wise service exists to talk members of 'Defined Contribution' ('DC') schemes aged 50 or over through the flexible options available to them for their benefits.

You will have DC benefits if, for example, you have AVCs, belong to the DC section, or pay into a personal pension.

Please note that, by law, we must now act to make sure you take advantage of the Pension Wise service. If you are 50 or over and tell us you want to retire or transfer out, we will:

- ✓ Remind you to make your Pension Wise appointment, and explain what you can expect;
- ✓ Arrange the booking on your behalf, or supply any help you need to do so; and
- ✓ Ask you to have your appointment, or 'opt out' of doing so, in writing, if you prefer, before your retirement or transfer from the Scheme goes ahead.

Details for Pension Wise are at: www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise

Minimum retirement age increase: a reminder

In the last issue, we reported that the minimum retirement age – that is, the earliest age you can start receiving your retirement benefits in good health is increasing from 55 to 57 from April 2028.

This is because the Government intends to keep this minimum age around 10 years below the State Pension age, which is due to increase from 66 to 67 between 2026 and 2028.

This may affect your plans if you are thinking of retiring early in the next few years – for example, if you are due to reach age 55 just after April 2028.

If you are yet to retire, we have written to you individually with details of your position. We hope this will help support you with any decisions you may need to make because of the change.

You should also consider taking financial advice if you need to (see page 23).

Pension dashboard update

The Department for Work and Pensions has been working with industry experts to produce a 'pension dashboard' system. The dashboard will be an online portal allowing everyone to see all their pension savings and benefits from all the arrangements they have belonged to in one secure location.

It is a time-consuming and complex task, so the original deadlines have been changed by the Government.

Originally, UK pension schemes were going to connect to the dashboard in stages. Now, all schemes must link to the system by the end of October 2026. To avoid the majority of schemes all trying to connect at the same time, interim stages will still be used as guidelines. Once we receive our revised guideline date, we will of course work towards it and keep you updated.

If you are interested to know more, visit the dashboard website at:

www.pensionsdashboardsprogramme.org.uk

The Spring Budget: changes to tax allowances

Among the measures in the most recent Budget were significant changes to the HM Revenue & Customs (HMRC) tax allowances.

Annual Allowance

From 6 April 2023, the standard Annual Allowance has increased to £60,000 (from £40,000). 'Carry forward', where you can bring unused Annual Allowance from the three previous tax years into the current year, still applies.

If you are a particularly high earner, you may have a 'tapered' Annual Allowance. This may apply to anyone earning £200,000 a year or more. Previously, if you fell into that group, then you would lose £1 of Annual Allowance for every £2 of 'adjusted income' (your overall taxable income plus pension contributions) you earned above £240,000. From 6 April 2023, this figure increased to £260,000. The lowest Annual Allowance it can taper down to has gone up from £4,000 to £10,000 (for individuals with adjusted income of £360,000 a year or more).

The Money Purchase Annual Allowance (MPAA), which *only* applies to any Defined Contribution (DC) benefits you have if you have already started receiving them through one of the flexible options, has also gone up from £4,000 to £10,000 accordingly.

Lifetime Allowance

From April 2023, the Lifetime Allowance tax charge will no longer apply. Instead, anyone retiring this year will pay tax on any benefits above the allowance at their highest rate.

From April 2024, the Lifetime Allowance itself will no longer apply. Exact details of what might replace it – if anything – are yet to emerge.

The Government website has more details about the allowances here:

www.gov.uk/tax-on-your-private-pension

Protecting yourself from pension scams

You may recall that in our previous issue, we mentioned that pension scheme trustees had been given more powers to help prevent their members falling victim to pension fraud. We are expected to carry out thorough checks before agreeing to any transfer, and we can block them from going ahead if we detect anything we believe to be suspect.

However, there is a great deal of help online giving you guidance on what you can do to guard yourself against the scammers. There are typical 'warning signs' to look out for – simply receiving unexpected contact about your pension should make you cautious immediately. Other possible giveaways include pressure to force you into a quick decision, or promising too much (a 'once-in-a-lifetime offer, for example, or suggesting your investments could be risk-free).

The consumer website MoneyHelper is a good place to start, with the following article:

www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam

You can also find guidance on the dedicated section of the Financial Conduct Authority (FCA) website, 'ScamSmart': www.fca.org.uk/scamsmart

Finally, before you make any important financial decision, please consider taking independent financial advice (see page 23).

Guaranteed Minimum Pensions (GMP) update

In late 2021, we mentioned we were starting two exercises relating to members' GMPs.

What is GMP? – a reminder

At one time the Scheme was 'contracted out' of part of the State pension. Broadly speaking, this means the Scheme promised you a pension at least equal to the State pension you would have built up if the Scheme had not been contracted out. Between 1978 and 1997, this part of pension was known as GMP.

The two exercises are:

Adjust pensions for unequal GMPs ('GMP equalisation')	Because they are linked to past State pension rules, GMPs have historically been worked out differently for men and women. Now, following a 2018 High Court ruling, all UK 'Defined Benefit' (DB) schemes like ours must work out equal benefits for members over the period 17 May 1990 and 5 April 1997. This means that we will work out an increase for any member who would have built up a higher pension over that period if they had been a member of the opposite sex (with all other details – such as age, earnings – the same).
Compare our GMP records with those held by HMRC ('GMP reconciliation')	HMRC no longer keep records of individuals' GMPs. So pension schemes are also expected to check their details against the HMRC records and, where necessary, adjust members' benefits to match.

Working through this number of member records and applying the necessary calculations is very complex and so is taking a long time. Many of you will not be affected at all.

Some of you will need an adjustment to your pension as a result of one or both of these reviews. We would expect this change to be modest in most cases. If you are affected, we will write to you separately once we have completed this work.

The Scheme in numbers

For the year ending 31 December 2022

£3.2 billion

The value of the assets at
31 December 2022 (including AVCs)

£60.7 million

Benefits paid out to members

£43.7 million

Transfers out

9,894

Members at 31 December 2022

283 active members

6,873 deferred members

2,738 pensioner members

If you would like a copy of the formal Report & Accounts, please contact the Administrator (see page 23).

Who's who

DB Trustee Services Limited is the corporate Trustee body responsible for managing the Scheme in line with its own rules and wider pensions law.

Your Trustee Directors

Appointed by the Company	Nominated by members
Michael Wrobel, *Chair*	James Arculus
Scott Dobbie	Julia Land
Nick Harrison	Martin Pengelley
Wayne Jury	
Andrew Vose	

We mentioned in the last issue, a new Member-nominated Trustee Director would join the Trustee, and we would would like to welcome Julia Land, who was appointed in May 2023.

Lucy Bird, one of the Company-appointed Trustee Directors, stepped down from the board in June 2023. We would like to thank her for her service and commitment to the Scheme.

Secretary to the Trustee is Aon Solutions UK Limited.

Introducing Julia Land

"I was in Deutsche Asset Management's UK pooled funds team from 1998 to 2002. I bring many years' experience of advising trustee boards of other large UK pension schemes on board matters and governance. This will stand me in good stead as I contribute to the Trustee's work and focus on maintaining our strong governance for members.

I joined the DB (UK) Pension Scheme in 1998 and am now a pensioner member. I am very pleased to serve as a Member-nominated Trustee Director, working for the benefit of all scheme members."

Our advisers

We appoint a team of professional advisers to assist us in certain areas of expertise.

Actuary (DB Section)

Jonathan Ford, FIA
Aon Solutions UK Limited

Administrator

Aon Solutions UK Limited

Auditor

Grant Thornton UK LLP

Banker

HSBC Bank plc

Investment advisers

Aon Investments Limited
Lane, Clark & Peacock

Custodian (DB Section)

State Street Bank and Trust Company

Investment managers (DB Section)

Baillie Gifford Investment Management Company Limited (until February 2023)

BlackRock Investment Management (UK) Limited

Legal & General Assurance (Pensions Management) Limited

M&G Investment Management Limited (until April 2023)

PIMCO Europe Limited (until June 2023)

Royal London Asset Management Limited

RREEF Limited (until September 2022)

Investment manager (DC Section)

Legal & General Assurance (Pensions Management) Limited

Legal advisers

CMS Legal Services

Hogan Lovells International LLP

Slaughter and May

Life assurers (DB Section)

AIG Life Limited
Assicurazione Generali SpA

Legal & General Assurance Society Limited (until April 2022)

MetLife Europe Limited

Zurich Assurance Limited

Bulk annuity providers

Legal & General Assurance Society Limited

Aviva Life & Pensions UK Limited (appointed September 2022)

Contact and help

Contact point

If you have a query about your benefits or the Scheme, please contact Aon, the Scheme Administrator:

Email deutsche.bank.uk@aon.com

Phone +44 (0) 330 123 1209
(Monday to Friday, 9am to 5pm, except bank holidays)

Write to DB (UK) Pension Scheme,
Aon Solutions UK Limited Scanning Division,
PO Box 196, Huddersfield, HD8 1EG

MoneyHelper

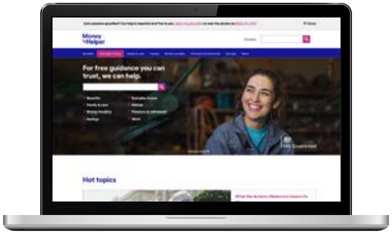
MoneyHelper is the consumer website of the Money and Pensions Service, or 'MaPS'.

If you need information about or help with any aspect of your finances – including pensions - make MoneyHelper your first port of call. You can get support online or over the phone.

Visit the website for more details at www.moneyhelper.org.uk or phone 0800 011 3797

You can also find a directory of authorised and regulated financial advisers.

Go to
www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser



Legal note

Nothing in this document confers any rights to benefits, or to a particular level of benefits or options under the Scheme. Members' benefits and rights are determined in line with the Scheme's Trust Deed and Rules as in force from time to time.

October 2023 Newsletter

SB8399 Staff