

# ANNUAL REPORT AND FINANCIAL STATEMENTS – SUMMARY

## SUMMARY FUNDING STATEMENT

### IN THE NEWS



# THE EE PENSION SCHEME UNFOLDED

## WELCOME

This newsletter provides a summary of the EE Pension Scheme ('the Scheme') Annual Report and Financial Statements for the year ended 31 December 2020 relating to the Defined Benefit (DB) Section as well as the latest Summary Funding Statement.

In this section of your newsletter, we give you a brief summary of the Annual Report and Financial Statements for the period ended 31 December 2020.

	2020 £'000	2019 £'000
<b>Contributions and benefits</b>		
Employer contributions	41,458	22,500
<b>Total contributions</b>	<b>41,458</b>	<b>22,500</b>
<b>Benefits</b>		
Benefits	(7,903)	(7,325)
Payments to and on account of leavers	(6,538)	(5,887)
Administration expenses	(21)	(32)
<b>Total</b>	<b>(14,462)</b>	<b>(13,244)</b>
<b>Net Additions from dealings with members</b>	<b>26,996</b>	<b>9,256</b>
<b>Return on investments</b>		
Investment income	8,103	7,098
Change in market value of investments	87,377	82,872
Investment management expenses	(1,259)	(1,726)
<b>Net returns on investments</b>	<b>94,221</b>	<b>88,244</b>
<b>Net change in the fund during the year</b>	<b>121,217</b>	<b>97,500</b>
<b>Net assets of the Scheme at start of year</b>	<b>868,455</b>	<b>770,955</b>
<b>Net assets of the Scheme at end of year</b>	<b>989,672</b>	<b>868,455</b>

## Membership

If you look at the table below you can see how the Scheme's membership has changed.

	31 December 2020	31 December 2019
Deferred members	7,495	7,617
Pensioners	1,040	958
<b>Total</b>	<b>8,535</b>	<b>8,575</b>

## Investments and Scheme changes

EE Pension Trustee Ltd (The Trustee) measures the performance of the Scheme's investment funds by comparing them to a target or 'benchmark'. The liability benchmark represents the change in the estimated value of the Scheme's liabilities over the specified time period. The performance of the funds for each of the last five years compared with the benchmark and returns to 31 December 2020 are shown in the table below:

	2016	2017	2018	2019	2020	3 year	5 year
	%	%	%	%	%	%	%
Scheme return	25.6	7.9	-2.5	9.2	11.9	6.0	10.1
Benchmark return	29.5	5.9	-2.1	10.6	12.5	6.8	10.8
Liability benchmark	28.7	4.4	-0.8	12.5	18.4	9.8	12.2

### Investment managers

The Trustee invests funds with investment managers employed to manage the assets for its defined benefits section.

**The Managers appointed to manage the assets which are intended to produce long-term returns in excess of liabilities:**

- UBS Global Asset Management (UK) Limited
- Standard Life Investments
- PIMCO Europe Limited
- Harris Associates (until 25 June 2020)
- Sands Capita Management LLC (until 25 June 2020)
- Epoch Investment Partners Inc (until 25 June 2020)
- Aviva Investors Jersey Unit Trusts
- Deutsche International Corporate Services (Ireland) Limited
- M&G Real Estate (Luxembourg) S.A.
- Legal & General Investment Management Limited (effective 25 June 2020)
- Chorus Capita Management Limited (effective 8 December 2020)
- Basalt Infrastructure Partners LLP (effective 22 December 2020)

**The Managers appointed to manage assets intended to broadly match liabilities are:**

- Insight Investment Management (Global) Ltd

## Summary Funding Statement

Each year the Trustee is required by law to provide you with a Summary Funding Statement, which describes the level of funding that supports your pension. The Trustee works closely with the Company to ensure your benefits are adequately funded, secured and governed.

The Scheme Actuary carries out a formal actuarial valuation of the Scheme at least once every three years. This is an in-depth look at the Scheme's finances where the value of all members' benefits built up under the Scheme (liabilities) is compared to the value of the funds (assets). In addition, the Scheme Actuary provides the Trustee with interim valuations – which are annual updates of the Scheme's financial position. Interim valuations are not as detailed as the formal actuarial valuation, but give a reasonable assessment of the latest position.

### Scheme funding update

#### 31 December 2020 interim valuation

The most recent interim valuation, at 31 December 2020, has been completed and showed a funding position of 81%, meaning that the Scheme's assets covered 81% of its liabilities. This is compared to the funding position as at 31 December 2018 (the date of the previous formal valuation) and as at 31 December 2019 (the date of the previous interim valuation) in the following table.

	2018 Previous formal valuation	2019 Interim valuation	2020 Interim valuation
Assets* (£ million)	762.1	858.5	979.9
Liabilities (£ million)	923.4	1,032.6	1,215.0
Shortfall (£ million)	161.3	174.1	235.1
<b>Funding level</b>	<b>83%</b>	<b>83%</b>	<b>81%</b>

\*The asset values exclude AVC investments

It can be seen that the shortfall of the Scheme has increased over the year to 31 December 2020.

The increase in liabilities is mainly due to the fall in the yields available on long-term government bonds. The assets have also increased but to a lesser extent. The increase in assets is due to investment returns and the Company paying contributions.

#### What has been done to address the shortfall?

As part of the 2018 valuation, the Trustee agreed with the Company a recovery plan to address the shortfall.

The key features of the plan are deficit contributions from the Company as follows:

- £22.5 million per annum, paid monthly over 2019; plus
- £40 million per annum, starting on 1 January 2020, payable monthly for a period of 2 years and 7 months.

The Trustee expected these additional contributions, together with the expected investment returns, to be sufficient to clear the shortfall as at the 2018 formal valuation by 31 July 2022. If the next valuation, as at 31 December 2021, reveals a shortfall, the existing recovery plan will be reviewed.

As part of this statement, we must tell you if there have been any payments to the Company out of the Scheme since the last Summary Funding Statement. There have not.

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the funding target, setting the terms of the recovery plan and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Scheme.

## Summary Funding Statement continued

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### What protection is there for members?

The Trustee is required to provide you with an indication of what the funding position would be if the Scheme had terminated and was wound up as at the date of the last valuation. The information is purely for legislative purposes – the Company has no plans to wind up the Scheme.

If the Scheme had wound up on 31 December 2018 (the date of the last formal valuation), its assets of £762.1 million would have covered around 46% of the estimated cost of securing the Scheme's

benefits. In the unlikely event of the Scheme winding up, the Company would be legally required to finance the shortfall and pay enough into the Scheme to enable benefits to be completely secured with an insurance company.

In the even more unlikely event that the Company becomes insolvent, the Pensions Protection Fund (PPF) may be able to take over responsibility for payments if the benefits that could be provided by the Scheme fall below PPF levels of compensation (which are lower than the standard benefits payable from the Scheme).

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Visit the PPF website for further details at <https://www.ppf.co.uk/>

A full copy of the Annual Report and Financial Statements and a copy of the latest Statement of Investment Principles can both be found at

<https://pensioninformation.aon.com/ee/documents.aspx>

We are keen to communicate with members as effectively as possible and recognise that some members may prefer to receive information by email. We have therefore set up a form at <https://forms.office.com/r/R9T5JkZMP>, so that you can provide your email address for future communications. Please use the QR code to navigate to the form



If you need a large print version of this update, please call the administrators (Capita) on **0800 169 2085**.

## In the news

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### Protect yourself from cybercrime

Scam messages and phone calls have been on the rise and spotting these is becoming increasingly difficult. Many well-crafted communications will even fool the experts. There are some common tactics that criminals will use to try and get you to respond without thinking.

Things to look out for are:

- Authority - Is the message claiming to be from someone official? For example, your bank, doctor, a solicitor, or a government department. Criminals often pretend to be important people or organisations to trick you into doing what they want.
- Urgency - Are you told you have a limited time to respond (such as 'within 24 hours' or 'immediately')? Criminals often threaten you with fines or other negative consequences if you don't respond quickly.
- Emotion - Does the message make you panic, fearful, hopeful or curious? Use of threatening language, false claims of support, or enticing you into wanting to find out more are all common methods.
- Scarcity - Is the message offering something in short supply, like concert tickets, money or a cure for medical conditions? Fear of missing out on a good deal or opportunity can make you respond quickly.
- Current events - Are you expecting to see a message like this? Criminals often exploit current news stories, big events or specific times of year (like tax reporting) to make their scam seem more relevant to you.

Stop and think. If something looks too good to be true, makes you worried or frightened, don't respond immediately. Stop and give yourself time

to check if the request is real, ask for a phone number to ring the caller back or speak to a friend or relative before you act.

- Be aware of suspicious emails and texts.
- Don't click on links, share your bank details or personal information following unsolicited requests.
- Read the National Cyber Security Centre guidance at <https://www.ncsc.gov.uk/guidance/suspicious-email-actions> for further information on how to stay safe.

### Pension fraud

Pension fraud remains a threat to your retirement savings. The Pensions Regulator recently launched a campaign calling on the industry to pledge to combat pension fraud. The pledge involves several commitments including:

- regularly warning members about pension scams, and
- taking appropriate due diligence measures when members request a transfer out.

You can read more about the pledge at [www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams](http://www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams)

As Trustees, we are committed to giving you the information you need to be aware of the warning signs. We also take every precaution and make all necessary checks before processing a request to transfer out of the Scheme.

For more information about pension fraud:

- Go to [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) for tips and online resources to help you protect yourself.
- Go to <https://www.thepensionsregulator.gov.uk/en/pension-scams> and download the pension scams booklet.

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### Minimum retirement age set to increase

The Government has confirmed that the minimum retirement age will rise from 55 to 57 in 2028, to coincide with the rise in the State Pension Age to 67.

Pension savers considering taking early retirement in 2028 or later will need to take this into account – in particular, those that will turn 55 just after the change takes effect.

The Government is expected to legislate for the increase in minimum retirement age in due course. We will keep you updated.

### Lifetime Allowance frozen until 2026

In the March 2021 Budget, the Chancellor announced that the Lifetime Allowance will be frozen for the next five tax years. This means it will remain at the current rate of £1,073,100 up to and including the 2025/26 tax year.

Recently, the Lifetime Allowance has been increased each April in line with inflation, as measured by the Consumer Prices Index, but now the next increase is not due until 6 April 2026.

The Lifetime Allowance is the value of overall retirement savings you can build up during your lifetime which qualifies for full tax relief (excluding the State Pension). If you build up retirement savings and take benefits above this level, you will face a tax charge on the excess unless you have a form of Lifetime Allowance protection in place.

The freeze means that, in the long run, more people with significant retirement savings could exceed the Lifetime Allowance and therefore be liable to the tax charge.

### Appointment of MND

In March 2021, Carmel Codd resigned as a Member Nominated Director (MND) of EE Pension Trustees Ltd. At the same time, we were informed that a Company Nominated Director (CND) Roger Eyre would also step down. An election took place over the summer and we are pleased to announce that Joseph Ward has now been appointed as the new MND. The company are currently interviewing candidates for the CND position and we will update members once they have appointed someone to the board.

### AVC transfers

Following a review of the Scheme's AVC providers in 2020, the Trustee made the decision to consolidate AVCs held with Utmost (formerly Equitable Life) and Fidelity into a new scheme with Scottish Widows, called the EE Group AVC Pension Scheme. The Trustee believes Scottish Widows represent better value for money as they also provide administration and investment services for the DC section of the Scheme, and they also offer a choice of Lifestyle arrangements. Members with AVCs have been sent details of the new scheme, but if you have not received these you should contact Capita.

### Important

It is your responsibility to measure how close you may be to the Lifetime Allowance by adding up all the pension schemes you belong to. You can find help on how to do this and more information about the Lifetime Allowance at [www.gov.uk/tax-on-your-private-pension/lifetime-allowance](http://www.gov.uk/tax-on-your-private-pension/lifetime-allowance).

If you are unsure how close you may be to the Lifetime Allowance, we recommend you speak with an independent financial adviser.

## More information

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**The EE Pension Scheme assets are held in one common trust and are completely separate from the assets of EE. The trust is operated by EE Pension Trustee Ltd.**

### Your current Trustee directors are:

Company appointed Directors:  
**Jonathan Clarke (independent chairman)**  
**Roger Waymouth**  
**Rachel Willis**

Member Nominated Directors:  
**Tony Gara**  
**Joseph Ward (appointed 2 August 2021)**

**For more general information on pensions and saving for retirement, the following websites are useful resources.**

<https://www.moneyhelper.org.uk/>

MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.

<https://www.gov.uk/>

The Government’s website features a section ‘Working, jobs and pensions’, which includes a State Pension Age calculator.

### Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can find an adviser in your area by searching the Money Advice Service directory at <https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser>

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at <https://register.fca.org.uk/s/> or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

### The EE Pensions team:

Please use any of the methods below to get in touch with the Scheme administrator.

**Capita**  
**PO BOX 555**  
**Stead House**  
**Darlington**  
**DL1 9YT**

Telephone: **0800 169 2085**

Email: [ee.helpline@capita.co.uk](mailto:ee.helpline@capita.co.uk)

#### Early Resolution Service

If you have a concern about your benefits, contact the Pensions Ombudsman’s Early Resolution Team:

Go to <https://www.pensions-ombudsman.org.uk/making-complaint>

Phone: **0800 917 4487** and select the option to discuss a potential complaint

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

#### Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits. If you also have DC benefits you will also need to advise Scottish Widows.

Please also update your Expression of Wishes form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustee, we have the final say over who receives the benefits. We will consider your Expression of Wishes form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

If you work for EE, you can update the form on ‘Your Rewards’.

If you no longer work for EE you can contact the administrator at Capita.