

## Trustee's Report 1 January 2018 to 31 December 2018

Welcome to your latest Scheme newsletter, keeping you up to date with your pension benefits and wider pensions news.

**Autumn 2019**

**In this issue**

Inside you can find the usual facts and figures summarising how the Scheme has developed over the reporting year.

We report on the Scheme's latest funding position following the outcome of the funding update at 31 December 2018.

Away from the Scheme, at the time of writing, the political landscape and the terms of Brexit remain uncertain. The EU has agreed an extension to 31 October 2019 and it remains to be seen whether Parliament can agree how to move forwards.

Brexit's clearest impact to date on the economy is on business investment, with many companies not surprisingly putting plans on hold.

As Trustee(s), we will continue to manage the Scheme to the highest of standards, monitoring the impact of Brexit on the Company closely and preparing appropriate strategies for any outcome.

Please get in contact if there are topics you would like us to cover in a future issue or if you have any questions. Contact details can be found on page 6.

**Paul W Picknett**  
Chair of the Trustees

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# In numbers





## The membership

At 31 December 2018 there were 2,309 members in the Scheme compared with 2,350 members at the same date last year. This does not include members who are paid by an annuity.

1,464	<b>Deferred members</b> - individuals who have left the Scheme and are no longer paying contributions.
845	<b>Pensioner members</b> - individuals receiving benefits from the Scheme (including dependents of members who have died).

## The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 6.

The value of the assets supporting the Scheme at 31 December 2018	£301.3 million	
The increase in the value of the assets over the reporting year	-£23.4 million	
The total value of Company contributions paid in to the Scheme during the year	£5.3 million	
The total value of benefits paid to members during the year	£9 million	

As Trustees, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

In October 2018, the Trustee decided to review the way in which the scheme's assets were invested as well as their investment adviser. Following this review the Trustee, after consulting with the Company, agreed to appoint a fiduciary manager; Cardano Risk Management Limited to manage the scheme assets and to provide investment advisory services.

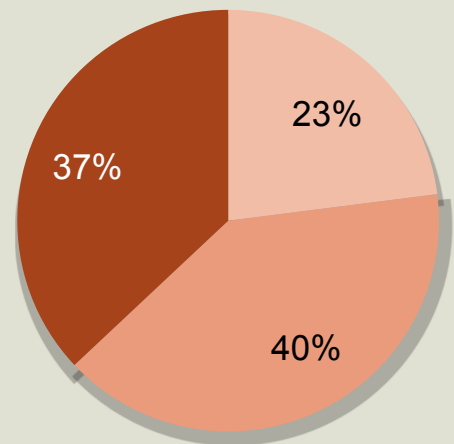
Fiduciary management provides pension Schemes with a vast range of benefits. Not only does it enable the Trustee to execute long term investment strategies more efficiently, it can also help to target better outcomes for the Scheme, by making use of the fiduciary manager's investment expertise. Cardano's investment strategy is aligned with the Scheme's objectives and they are directly responsible for managing the assets of the Scheme on a day-to-day basis. The Trustee receives regular updates on fund performance and will continue to work with Cardano to ensure that the investment strategy continues to drive a positive outcome for our members.

## Asset allocation

At 31 December 2018, the Scheme held assets of £295.9 million compared with £320.4 million at the same date last year (not including insured policies and AVCs).

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2018, across asset types.

- Bond Funds 23%
- Diversified Growth Funds 40%
- Equity Funds 37%



## Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

	Over the year to date		Over three years (% per year)		Over five years (% per year)	
	Performance	Benchmark	Performance	Benchmark	Performance	Benchmark
Investment	-4.1%	1.6%	8.0%	8.2%	6.7%	11.1%

We will continue to monitor performance and make any changes we feel are necessary.

# Summary Funding Statement

This section summarises the results of the funding update at 31 December 2018. It also looks at the most recent previous results. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

## The latest position

The table below shows how the funding position has changed since the last formal Actuarial Valuation as at 31 December 2016 and the last annual funding update at 31 December 2018.

	Annual Update	Annual Update	Formal Valuation	Quarterly Update
Date	31 December 2017	31 December 2018	31 December 2016	30 June 2019
The funding level	92%	89%	86%	95%
The funding target	£353.2 million	£337.3 million	£362.5 million	£342.1 million
The value of the Scheme's assets	£324.0 million	£300.8 million	£313.3 million	£325.2 million
The overall position	Shortfall of £29.2 million	Shortfall of £36.5 million	Shortfall of £49.2 million	Shortfall of £16.9 million

The liabilities have reduced since 31 December 2016 due to favourable market conditions and an increase in interest rates, which led to a lower value being placed on the liabilities of the Scheme.

However, lower than assumed investment returns on the assets have more than offset these factors resulting in an overall deterioration in the funding position between 31 December 2017 and 31 December 2018.

The next formal Actuarial Valuation will be carried out as at 31 December 2019. We will report on the results once they are complete.

You should be aware that the factors affecting the funding level are very changeable, particularly stock market performance, interest rates and life expectancy. This means that the funding level is likely to be quite volatile in the future.

## Reasons for the change

Between 31 December 2017 and 31 December 2018, the funding level reduced mainly due to lower than assumed asset returns.

However, a combination of positive investment returns, lower than assumed inflation and contributions paid by the Company led to a decrease in the value placed on the Scheme's liabilities and an overall improvement in the Scheme's funding position as at the last quarterly update on 30 June 2019.

Groupama Assurances Mutuelles stands behind the Scheme and will continue to pay contributions over a period to gradually correct the deficit and ensure benefits can always be paid in full.

The majority of pension schemes are in a similar position, having been affected by low levels of interest rates.

# Summary Funding Statement

## Removing the shortfall

As part of the valuation at 31 December 2016, we agreed with the Company to bring the Scheme to a fully funded position. This is known as a 'recovery plan'. The Company agreed to pay:

- £5M each year for 6 years from 2018;

These contributions and anticipated investment growth are expected to remove the shortfall by 2023.

In addition, the Company continues to pay:

- £0.3M each year to cover the costs of administering the Scheme;
- All administration costs, running expenses and other charges, for example the annual levy to the Pension Protection Fund

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

The next formal valuation will look at the Scheme's position at 31 December 2019. This will include a review of the recovery plan to see if it is on track or if any changes need to be agreed.

## If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis (shown above), which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time so the full solvency position funding level is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 December 2016, the Scheme's full solvency funding level was 58% with a shortfall of £227.2 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. The Company has no current plans to end the Scheme.

We must also tell you if there have been any payments to the Company out of Scheme funds in the last 12 months. There have not been.

## The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).



## GMP Equalisation

This is a complex area and we are continuing to work with our advisers to identify if and how members of the Groupama UK Pension Scheme may be affected. We hope to be able to update you later in the year.

In the meantime, recent developments include:

- A second High Court hearing was held in December 2018. The judgment provided some further clarification for pension schemes, though more hearings in the future remain a possibility.
- A new industry group has been formed, brought together and chaired by the Pensions Administration Standards Association ('PASA'), to help schemes follow the High Court's ruling.
- The Department for Work and Pensions has published its first version of statutory guidance on equalising GMPs by converting them into different benefits.
- HMRC has set up its own working group to consider the pension tax issues that may arise from GMP equalisation.

## Pension tax allowances

Please remember that it is your responsibility to understand your tax position for the Annual Allowance and Lifetime Allowance.

The Lifetime Allowance increased to £1.055 million for the 2019/20 tax year. It is expected to rise in line with inflation each year, as measured by the Consumer Prices Index. The Annual Allowance has not changed for 2019/20.

You can find information about the allowances online at [www.gov.uk/tax-on-your-private-pension/overview](http://www.gov.uk/tax-on-your-private-pension/overview).

## One place for money and pensions support

A couple of years ago, the Government pledged to combine the Pensions Advisory Service, the Money Advice Service and Pension Wise. Why? To make it easier for people to get help and guidance about pensions and finances.

The new organisation is called the Money and Pensions Service. It came into effect at the start of the year and took on its new name on 6 April 2019 although, at the time of writing, the three guidance bodies retain their individual identities. Work continues behind the scenes and the merger is expected to complete during 2019. We will keep you updated on future developments.

Go to [www.moneyandpensionservice.org.uk](http://www.moneyandpensionservice.org.uk) to find out more.

**Introducing the Money and Pensions Service**  
We are now called the Money and Pensions Service, replacing our temporary name of the Single Financial Guidance Body.  
Set up by government, we are bringing together three respected bodies of financial guidance: the Money Advice Service, The Pensions Advisory Service and Pension Wise into one single organisation.

**Our new brand is the first step on our journey.**

**Our journey**

January 2019	April 2019	April to Sept 2019	Autumn 2019
The Single Financial Guidance Body comes together	Launch of Money and Pensions Service Brand	Listening phase: Developing a new integrated service	Launch of National Strategy and three-year corporate plan

**Help to shape our future**  
As a new organisation, our mission is to put the customer at the heart of all we do, working collaboratively with you as key stakeholders, to ensure that all UK citizens can easily access the information they need to make the right financial decisions throughout their lives.

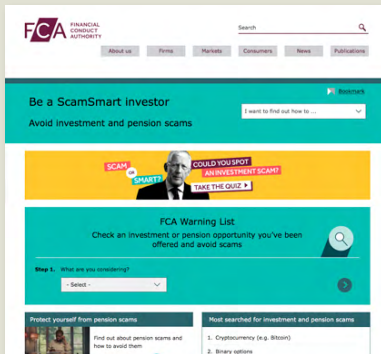
## Pension fraud: are you ScamSmart?

Pension fraud remains a threat to your savings so it's important that you know what warning signs to look out for and are aware of the risks.

The Government is trying to help to tackle the problem and has banned cold calling about pensions. Companies can no longer make unsolicited calls and those that do could face significant fines.

Note that not all calls about pensions have been banned. To be legal, the caller must be Financial Conduct Authority (FCA)-authorised, or the trustee or manager of your scheme, and you must either have agreed to receive calls from the caller or have an existing client relationship with the caller and have not opted out of receiving such calls.

The Financial Conduct Authority has also launched a ScamSmart campaign. Go online to [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) and take the quiz to see if you could spot a scam.



Follow their three rules to keep your savings safe:

- Reject unexpected offers
- Spot the warning signs
- Check if a firm is FCA-authorized

If someone approaches you with an offer that sounds too good to be true, know what to look for and what your next steps should be.

If you have any doubts about the legitimacy of any offer you receive, speak to an expert before you sign up for anything.

If you think you may be a victim of a pension scam, contact Action Fraud. Phone **0300 123 2040** or go to their website, [www.actionfraud.police.uk](http://www.actionfraud.police.uk), and fill in an online fraud report.

## Financial advice

Before taking a transfer value, you may wish to seek advice from an Independent Financial Adviser (IFA), who can help you to understand your options. They will require some personal details around your finances and health in order to provide you with the right advice. Indeed, if the transfer value of your Defined Benefits are more than £30,000 you must by law, seek independent financial advice from an appropriately qualified and FCA approved adviser before your transfer value can be paid.

To help you choose a suitable IFA, we have set out some things to think about.

- 1) You should always be sure that they are appropriately qualified to provide pensions transfer advice. Only individuals qualified as Pension Transfer Specialists can give advice on pension transfers. You should check the adviser has this qualification.
- 2) Consider the level and experience the adviser has. Look at the service they offer and think about how they will interact with you. Ask them how many transfers from 'defined benefit' pension schemes they have advised on.
- 3) Are you clear on how the IFA will charge for their advice? It is important to make sure that the fees you pay are reasonable. Remember though, that for many people, their pension pot is the most valuable asset they have (even more than their home), so getting professional advice is important. You may want to ask the following questions before you take advice:
  - "Can you confirm in pound terms, the fee you receive if I don't go ahead with the transfer, and the fee you receive if I do go ahead with the transfer?"
  - "Can you confirm if you will receive or request any ongoing supplementary fees after my transfer is made, and if so, what these are likely to be in pound terms?"
- 4) Before proceeding with a transfer, it is important that you understand all of your options. There are likely to be a variety of options available to you if you transfer. For example, you could buy an annuity, take all your pension savings as a one-off cash sum, or choose to take income over a period of time. Your adviser should provide you with a written recommendation as to whether you should transfer, and if they think that you should do so, which option they recommend for you (along with details as to how they have reached their recommendation).

# More information

To find out more about the Scheme, please use the contact details below.

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

[www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

[www.gov.uk](http://www.gov.uk)

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

## Early Resolution Service

If you have a concern about your benefits, contact the Early Resolution Team:

Go to [www.pensions-ombudsman.org.uk/our-service/make-a-complaint](http://www.pensions-ombudsman.org.uk/our-service/make-a-complaint)

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

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

## Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: [groupama@aonconsulting.co.uk](mailto:groupama@aonconsulting.co.uk)

Phone: 0330 123 2312  
(lines are open Monday to Friday, 9am to 5pm)

Write to: Scheme's Administrator at Aon, PO BOX 196, Huddersfield, HD8 1EG

## 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.

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 Trustees, 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.

Please use the contact details above to request a blank form.

## 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://directory.moneyadvice.service.org.uk/en>.

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> or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

## Behind the scenes

As Trustees we are required to attend quarterly board meetings to discuss the affairs of the pension Scheme, we also hold additional meetings with our advisors as and when it is necessary. We also maintain our knowledge of pensions, investments and finance by attending training courses.

The Board is made up of Company-appointed Directors and member-nominated Directors.

Company-appointed	Member-nominated
P.W. Picknett (Chair)	J.J.P. Tarrant
C. de Tinguy	A. Young
K. Curran	
D.L. Simpson	

We also appoint professionals to support us on areas of particular expertise.

<b>Administrator</b>	Aon Hewitt Limited
<b>Actuary</b>	Anthony Stephens, FIA Aon Hewitt Limited
<b>Auditor</b>	Cocke, Vellacott & Hill
<b>Investment Adviser</b>	River and Mercantile Investments Limited (River and Mercantile) (formerly P-Solve Investments Limited) - resigned 27 February 2019 Cardano Risk Management Limited (Cardano) - appointed 29 October 2018
<b>Legal Adviser</b>	ARC Pensions Law