

## Trustees Report from 1 January 2021 to 31 December 2021

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

Autumn 2022

You will no doubt be aware of the current geo-political tension and its far-reaching effects, especially the impact on the rising prices of fuel and food, while the financial markets are not immune.

At the same time, inflation is soaring at rates not seen for decades – partly due to breaks in the supply chain, but also as a result of moving out of the COVID-19 pandemic.

As we did throughout the pandemic, we are monitoring how the unrest in Europe might impact the Scheme and will make any changes we feel are necessary to protect it and the best interests of you, the members.

Inside, you can read how the Scheme's financial position is developing in our latest summary funding statement. We report on the Scheme's funding position as at 31 December 2020, the headline being that the funding level increased by 3% on the previous year. This gives a funding level of 97% for the end of 2020.

We also include a summary of the year's accounts and an update on the Scheme's investments.

Pension fraud shows no sign of going away, but as Trustees, we now have new powers to help you avoid pension scams. Read more on page 4.

As always, please do get in contact if you have a query about the Scheme or your benefits, or if there is a topic you would like us to feature in our next issue. The contact details are on page 6.

Mr Paul W Picknett  
Chair of the Trustees

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# In numbers





## The membership

At 31 December 2021 there were 2,193 members in the Scheme compared with 2,241 members at the same date last year. This does not include members who are paid by an annuity.

1,274	<b>Deferred members</b> - no longer building up benefits but have benefits in the Scheme for when they retire.
919	<b>Pensioner members</b> - receiving benefits from the Scheme (and including the dependants 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 2021	£363.6 million	
The increase in the value of the assets over the reporting year	£11 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	- £10.7 million	

# Investment update

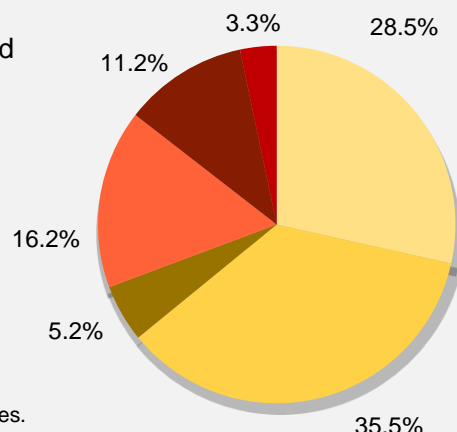
As Trustees, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

## Asset allocation

At 31 December 2021, the Scheme held assets of £355.2 million compared with £341.8 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 2021, across asset types:

- Liability Hedging Assets
- Cash or Cash Equivalents
- Credit
- Equities
- Macro Orientated
- Multi Strategy



\*0.1% of the assets is made up of Insured Policies.

## 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.

	12 months to 31 December 2021		Since Inception (1 February 2019)	
	Performance	Benchmark	Performance	Benchmark
Investment	5.8%	0.9%	8.9%	5.3%

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

For further details on our investment approach, read our Statement of Investment Principles (SIP) at

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

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

Performance in 2021 was in excess of the investment benchmark, meaning the Scheme started the New Year in a good position.

During 2021 the global economy was dominated by the easing of COVID lockdowns and a return to more normal conditions in many parts of the world. However, the process of reopening was far from smooth. For example, continued zero-COVID policies in China and the emergence of labour shortages in Western economies created problems. This negatively impacted upon many businesses' ability to service their customers. Nevertheless, consumer spending rebounded quickly and remained strong.

The combination of strong demand and supply chain problems presented the first inklings that there was a trend of higher inflation coming. Of course, these inflationary trends were accelerated early in 2022 by the disruption to energy and agricultural markets caused by war in Ukraine.

Financial markets in 2022 have seen falls across all of equity, credit, and government bond asset classes. This has had a negative effect on Scheme funding. Going forward, we expect further uncertainty and market volatility. Higher interest rates will tackle inflation in time but, whilst inflation still remains high, slowing growth will present a difficult investment environment.

## New powers to tackle pension fraud

In the ongoing battle to protect people from falling victim to pension fraud, the Government has given pension Scheme trustees new powers to put a transfer on hold, or to block transfers out of their Schemes completely if certain 'warning flags' suggest fraudulent activity or a scam.

Most transfers are likely to be straightforward and take place without any issues, however, the new regulations require pension Scheme trustees to intervene if particular warning flags are raised.

In some situations, the transfer will go on hold until the transferring individual proves that they have taken free, scam-specific guidance from the Money and Pensions Service.

If there are more serious warning flags that indicate possible fraud, trustees are required to block the transfer and prevent it from going ahead.

If you are thinking about transferring your benefits out of the Scheme, there will be more information about this in your transfer pack.

You may find that a transfer may take longer than anticipated due to these new requirements.

**For details of the new regulations, go to [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) and choose Document library > Scheme management detailed guidance > Administration > Dealing with transfer requests.**

## Planning to retire early?

The Government has confirmed that the earliest age most individuals can start receiving their pension benefits will go up from age 55 to 57 in 2028.

This change is set out in the Finance Act 2022. It is designed to coincide with the change to the State Pension Age, which will rise from 66 to 67 between 2026 and 2028.

If you are thinking about retiring early and want to check when you can start receiving your Scheme pension, please get in touch with the Scheme administrators.

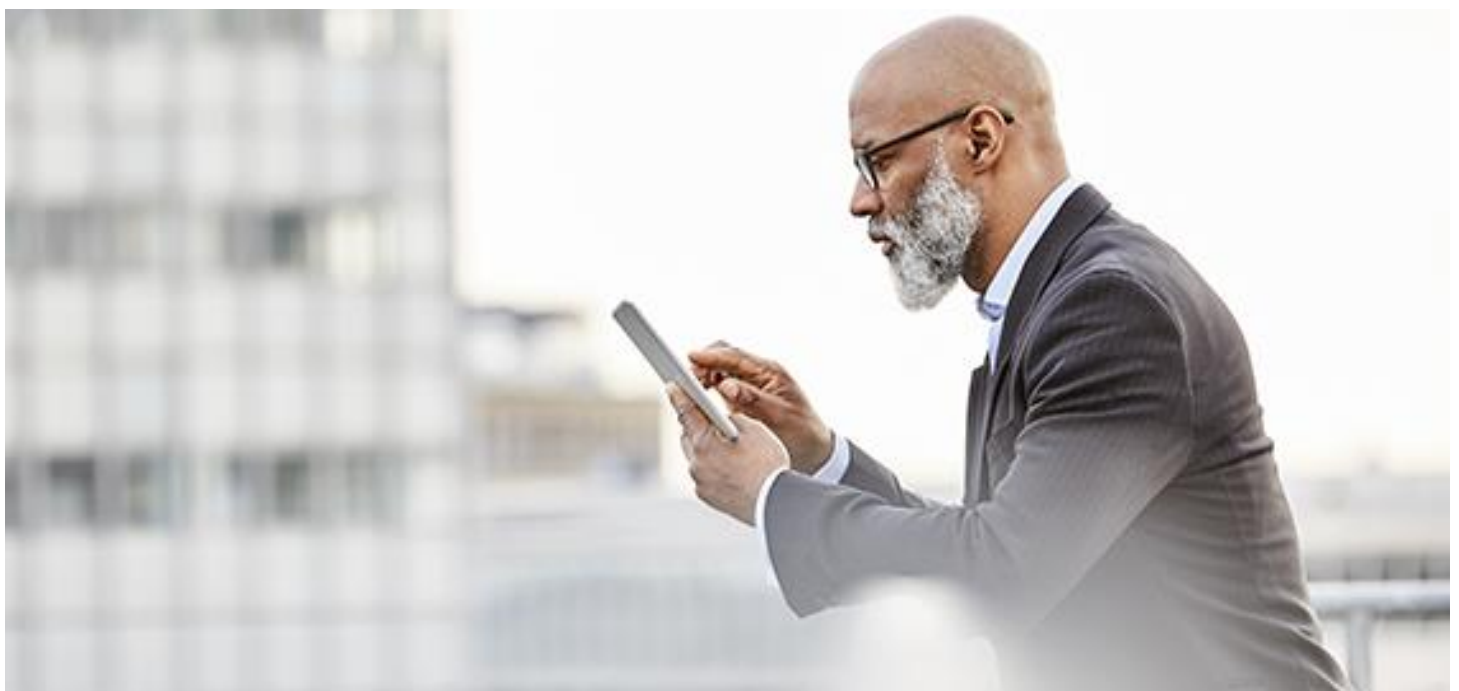
## Return to 'double lock' State Pensions

Due to the impact of the COVID-19 pandemic, the Government made the decision to temporarily move to a 'double lock' for State Pension increases. This meant the increase applied in April 2022 was the higher of:

- inflation, or
- 2.5%.

The third 'lock' of earnings inflation was excluded.

The Government has since announced that it "remains committed" to reinstating the triple lock for increases in 2023/2024.



## New climate-related reporting duties

There is increasing focus on Environmental, Social and Governance (ESG) factors on investment decisions and the Scheme in general.

In keeping with this, the Task Force on Climate-Related Financial Disclosures (TCFD) has been established to develop best practice guidance for climate reporting in different sectors, including the pension industry.

In December 2021, the Pensions Regulator published a final version of its guidance on the governance and reporting of climate-related risks and opportunities.

This recognises the collective potential that UK pension Schemes have as a force for good, and the prospects that a greener future can offer to all stakeholders.

With better climate-related financial information, companies and trustees will be better-placed to incorporate climate-related risks and opportunities into their strategies.

This in turn, will raise investors' understanding of the financial implications of climate change. The aim is that this will empower the markets to channel responsible and sustainable investment opportunities.

TCFD reporting is being rolled out in stages, with the largest Schemes required to report this year.

We are working closely with our advisers to ensure that we take all the necessary steps. We will keep you updated.



## Spring Statement 2022

In March, the Chancellor published this year's Spring Statement. Key changes relating to tax and finances were:

- Roughly a £3,000 increase to the threshold for National Insurance contributions from July 2022 compared to 2021/22 levels. This means annual earnings up to £12,570 won't be subject to tax or National Insurance.
- A planned drop in basic rate income tax from 20% to 19% in April 2024.

## Pensions Dashboard: latest

A few years ago, the Government called on the pension industry to develop and launch an online pension dashboard. The aim is to enable everyone to have quick and easy access to information on all their pension savings in one place.

To achieve this, the Money and Pensions Service established a Pensions Dashboards Programme (PDP) team.

Chris Curry, a PDP Principle, recently confirmed that, as of April 2022, the digital build phase is almost complete, and the first volunteer providers are nearly ready to connect to the system to begin testing using data.

This means that the rest of the planned development remains on track to release to the onboarding phase, beginning with the largest Schemes first, from next Spring/Summer, to achieve broad coverage.

In order to prepare for the release of Pensions Dashboards, between now and when we have to get data ready for it (2023/24), we will be working with our advisers and administrators to make sure that we have the right processes in place to be able to support this initiative.

Consumer testing is also expected to take place during 2023, ahead of moving to widespread public availability from 2024.

To find out more about the PDP go to [www.pensionsdashboardsprogramme.org.uk](http://www.pensionsdashboardsprogramme.org.uk).

You can also read regular updates on their blog as the programme progresses:

[www.pensionsdashboardsprogramme.org.uk/category/blog](http://www.pensionsdashboardsprogramme.org.uk/category/blog)

# More information

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

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

## Get to know your pension at [www.yourpension.gov.uk](http://www.yourpension.gov.uk).

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

## Picture your future at

<http://www.retirementlivingstandards.org.uk> The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

## MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise. [www.moneyhelper.org.uk](http://www.moneyhelper.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: Aon, The Fountain Precinct, Balm Green, Sheffield, S1 2JA

## Behind the scenes

As Trustees, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

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

### Trustees

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

**Remember:** if you would like more information about the Scheme, you can request a copy of the Trustee's Annual Report & Accounts. Contact the administration team (details above).

## 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 on the left 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. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) and choose Pensions and retirement > Taking your pension > Find a retirement adviser.

## Member Nominated Director (MND)

We currently have two positions available to join the Board. Being a Trustee Director is a fantastic opportunity for you to make a valuable contribution to the management of your pension. Further details can be found in the announcement enclosed with this newsletter.

John Tarrant has declared his intention to stand down as an MND and we would like to take this opportunity to thank John for his tireless dedication and service as a Trustee Director over many years.

### Advisers

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

Administrator	Aon Solutions UK Limited
Actuary	A.P. Stephens, FIA Aon Solutions UK Limited (resigned 5 March 2021)
	J. Coulthard, FIA Aon Solutions UK Limited (appointed 5 March 2021)
Auditor	Cocke, Vellacott & Hill
Investment Adviser	Cardano Risk Management Limited
Legal Adviser	ARC Pension Law

# Summary Funding Statement

This section summarises the results of the update at 31 December 2020. 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 update at 31 December 2018 and the last valuation at 31 December 2019.

	Update	Valuation	Update
Date	31 December 2020	31 December 2019	31 December 2018
The funding level	<b>97%</b>	<b>94%</b>	<b>89%</b>
The funding target	£364.2 million	£340.8 million	£337.3 million
The value of the Scheme's assets	£352.6 million	£322.0 million	£300.8 million
The overall position	Shortfall of £11.6 million	Shortfall of £18.8 million	Shortfall of £36.5 million

The latest update shows that the funding level has improved each year since the update at 31 December 2018.

## Reasons for the change

Since the valuation the deficit has reduced by £7.2M. This has been primarily driven by contributions paid and better than assumed investment returns.



# Summary Funding Statement

## Removing the shortfall

As part of the valuation at 31 December 2019, we agreed with the Company to bring the Scheme to a fully funded position. This is known as a 'recovery plan'. The recovery plan is designed to eliminate the deficit at the valuation date relative to the technical provisions by the end of the recovery period (which is 31<sup>st</sup> December 2023).

Under the recovery plan, the Company agreed to pay £2.5M in June and December each year until the end of the recovery period. These contributions and anticipated investment growth are expected to remove the shortfall by December 2023.

In addition, the Company continues to pay:

- 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 has been brought forward to 31 December 2021. This will include working out if the recovery plan is on track or if 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 therefore the full solvency funding level is generally lower than the ongoing funding level.

At 31 December 2019, the Scheme full solvency funding level was 71% with a shortfall of -£131.1 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).

