

In the news

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

2022 Newsletter

Geo-political tension continues to impact the global economy, increasing volatility in investment markets, pushing inflation higher than it has been for decades and putting pressure on many peoples' finances. As we did throughout the pandemic, we are monitoring how these external pressures might impact the Scheme and will make any changes we feel are necessary to protect the Scheme and your, the members', best interests.

As far as the Scheme is concerned, you can read how its financial position is developing in our latest summary funding statement inside. We report on the funding position as at 31 March 2022. The headline is that over the year to 31 March 2022 the Scheme's funding level continued to improve. Whilst there have been news reports of challenges for pension schemes in recent months, we wish to reassure you that our prompt actions have ensured that the Scheme funding has held up well and the Scheme will continue to pay benefits in full.

We also include the usual summary of the year's accounts and membership figures, and an update on the Scheme's investments.

In wider pensions news, we provide an update on Pensions Dashboards, the plan to provide all those yet to retire with online access to all their UK pensions in one place. We also highlight two areas of increasing focus for the trustees of pension schemes generally: climate change and diversity, equity and inclusion.

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.

The Trustees

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In numbers






The membership

At 31 March 2022 there were 772 members in the Scheme compared with 784 members at the same date last year. This does not include members who are paid by an annuity.

24	Active members - working for the Company and paying regular contributions.
382	Deferred members - no longer building up benefits but have benefits in the Scheme for when they retire.
366	Pensioner members - 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 March 2022	£169.7M	
The increase in the value of the assets over the reporting year	£5.0M	
The total value of Company contributions paid in to the Scheme during the year	£1.5M	
The total value of member contributions paid in to the Scheme during the year	£0.1M	
The total value of benefits paid to members during the year	£4.7M	

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.

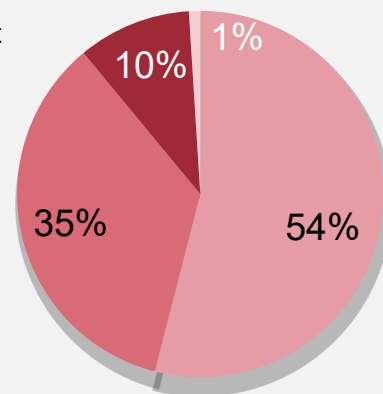
Asset allocation

At 31 March 2022, the Scheme held assets of £169.7M compared with £167.5M at the same date last year (including policies which are insured but excluding AVCs).

The chart adjacent shows how the Scheme's investments were allocated at 31 March 2022, across asset classes.

- Diversified growth 54%
- Matching assets* 35%
- Property 10%
- Cash and other 1%

* 'Matching assets' are investments which move in line with the Scheme's funding target, they help to bring stability to the Scheme's funding position even when markets are volatile.



Performance

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

Fund	Over one year		Over three years (% per year)		Over five years (% per year)	
	Performance	Target	Performance	Target	Performance	Target
Russell Multi Asset Growth Fund (Diversified growth)	1.9%	4.7%	5.5%	5.3%	4.5%	6.0%
ALL Managed Growth Fund – Adept sub Fund 9 (Diversified growth)	3.1%	4.1%	4.4%	4.3%	3.1%*	4.4%*
Schroders UK Real Estate Fund (Property)	18.8%	23.6%	7.2%	8.6%	7.6%	8.3%
L&G Liability Matching Plus Fund (Matching assets)	-0.9%	-0.7%	2.2%	2.4%	4.5%	4.7%

* Values shown for reference only as the Scheme did not have holdings in this fund over the full period.

You can see that performance was negative over the year 31 March 2022 with all managers falling short of their target returns.

Over the three-year period we saw some positive returns, with the diversified growth fund managers exceeding their target returns.

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/Kuwait>.

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

High inflation and pension increases

You will have seen that the rates of inflation for 2022 have been at an unprecedented high compared to recent years.

The Scheme awards increases to pensions in payment linked to both the Retail Prices Index (RPI) and the Consumer Prices Index (CPI). You are advised on how your pension will increase in payment when you retire from the Scheme. How your pension will increase in payment depends on the period for which you were an active member of the Scheme, and your scheme section. For most members your pension will increase on 1 July as follows:

- For pre 1997 service in line with CPI subject to a maximum of 2.5% pa.
- For post 1997 service in line with RPI subject to a maximum of 5% pa.

Members with Guaranteed Minimum Pensions (GMP), and service prior to June 1988 may have different pension increases applied.

For further information please refer to your benefit statements, leaving service statement, retirement pack or contact the Scheme administrator using the details set out later in this newsletter.



The aim of Pensions Dashboards is for non-pensioners to have quick and easy online access to information on all their UK pension savings in one place.

Recent developments include completion of the digital build phase and the first volunteer providers preparing to connect to the system to begin testing using data.

The release to the onboarding phase is on track, beginning with the very largest schemes first, from spring/summer 2023, to achieve broad coverage.

To prepare for the release of Pensions Dashboards, between now and the staging date for the Scheme, we'll be working with our advisers and administrators to make sure that we have the right processes in place.

To find out more, go to

www.pensionsdashboardsprogramme.org.uk.

Climate change

Recent years have seen an increasing focus on climate change and its associated risks for pension schemes. Indeed, since 2019, trustees of pension schemes have been required to consider long-term environmental risks and opportunities.

As Trustees of the Scheme, we regularly meet with our investment advisers and publish updates in our Statement of Investment Principles (available here <https://pensioninformation.aon.com/Kuwait>).

Elsewhere, the Pensions Regulator has published best practice investment guidance for trustees, while its climate change strategy sets out how it can help trustees to meet the environmental challenges. We as Trustees are continuing to consider any guidance and how we can best act responsibly in the way we invest in assets.

Further, the Task Force on Climate-Related Financial Disclosures (TCFD) was established to develop best practice guidance for climate reporting. Regulations requiring schemes to report in line with the TCFD's recommendations came into effect for the UK's largest pension schemes from October 2021 and for the next largest group of schemes from October 2022.

The collective aim is that these guidelines and requirements will empower the markets to channel responsible and sustainable investment opportunities.

Diversity, equity and inclusion

Alongside the attention that climate change and the environment is rightly getting in respect of pension schemes, diversity, equity and inclusion is also becoming increasingly important to trustees.

This includes considerations such as ensuring that:

- all members are getting information in an accessible way, and
- the trustee board is engaged in getting a diverse composition of personalities, skills, experience and characteristics in order to make better decisions.

We are reviewing our communications and processes to ensure that these issues are in the forefront of our mind when communicating with members and making decisions. As Trustees of the Scheme, we are committed to ensuring that the information we provide is accessible to all, and to getting the right, diverse mix of people on our board to make effective decisions.



Minimum retirement age increase

Your pension benefits – from the Scheme, from the State and from any other pension savings you have – will probably start at different ages. You therefore need to have an idea of when you plan to retire so you can assess what you could receive – and when.

The earliest age most individuals can start receiving their pension benefits will go up from age 55 currently to 57 in 2028. The aim of this change is to keep the minimum retirement age at around 10 years below the State Pension age, which is gradually increasing and will reach 67 by 2028.

Please contact the Administrator if you need any information about receiving your pension (see contact details on page 6).

Pension Scheme Act 2021: new trustee powers

In the ongoing battle against pension fraud and following the provisions of the Pension Scheme Act 2021, we now have the power to put a transfer request on hold or block a transfer if certain 'flags' suggest fraudulent activity – by an unscrupulous financial adviser, for example.

If you are thinking about transferring your benefits out of the Scheme, there will be more information about pension fraud and financial advice in your transfer pack.

To find out more, go to www.thepensionsregulator.gov.uk and choose Document library > Scheme management detailed guidance > Administration > Dealing with transfer requests. These regulations are due to be reviewed in 2023 and we will provide an update as and when appropriate as to any changes to these regulations and what these mean for members.

High Court rejects RPI reform appeal

The trustees of schemes of three of the UK's largest employers recently lost in their challenge against the Government and UK Statistics Authority's plans to align the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030.

The CPIH measure of inflation is different to the RPI in the way it's calculated.

The trustees of the BT, Ford and Marks and Spencer pension schemes argued that the change would result in lower pension payments over time and lower transfer values. They also claimed that it would reduce the value of pension schemes' assets that are linked to the RPI, potentially increasing the financial pressure on sponsoring employers.

The decision confirms that, from 2030, RPI-based pension increases will be aligned to the CPIH, which could result in a lower level of increase compared to that previously expected.



More information

To find out more about the Scheme, please go to <https://pensioninformation.aon.com/Kuwait>.

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.

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

Contact point

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

Phone: 0330 123 2317
(or +44 330 1232 317 from overseas)
(lines are open Monday to Friday, 9am to 5pm)

Email: Kuwait.pensions@aon.com

Write to: Kuwait Petroleum Corporation Retirement Benefits Scheme, Aon, PO Box 196, Huddersfield, HD8 1EG

When contacting the administration team, verification checks will be carried out. These may include questions relating to your employment.

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 current Trustees on the Board are listed below. The Board is made up of company-appointed Trustees and member-nominated Trustees.

Company-appointed	Member-nominated
Philip Wharton	David Wright
Graham Smith	Martin Stanley
Julian Amesbury	Colin Simpson

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.

You can download a blank Expression of Wishes form from the Scheme website. / Please use the contact details on the left to request a blank form.

Taking advice

We are aware that members may be revisiting their retirement plans in light of the current economic environment and would encourage members to seek independent financial advice before making any formal decisions. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to www.moneyhelper.org.uk and choose Pensions and retirement > Taking your pension > Find a retirement adviser.

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

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

Administrator	Aon Solutions UK Limited
Actuary	Vanessa Jaeger, FIA Aon Solutions UK Limited
Auditor	Deloitte LLP
Investment Adviser	Aon Investment Limited
Legal Adviser	Squire Patton Boggs (UK) LLP

Summary Funding Statement

This section summarises the results of the valuation at 31 March 2021. 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 March 2020 and the last funding update at 31 March 2022.

	Update*	Valuation	Update
Date	31 March 2022	31 March 2021	31 March 2020
The funding level	101%	98%	93%
The funding target	£167.6 million	£170.5 million	£170.4 million
The value of the Scheme's assets	£169.5 million	£167.5 million	£157.9 million
The overall position	Surplus of £1.9 million	Shortfall of £3.0 million	Shortfall of £12.5 million

*The latest funding update was produced before the Scheme accounts were signed off, which is why the asset value is slightly different. It shows that the funding level has improved since the valuation at 31 March 2021.

The next financial check will be based on the Scheme's position at 31 March 2023. We will report on the results once they are complete.

Reasons for the change

The improvement in the Scheme's funding level is largely due to the continued recovery of global markets since the initial impact of the coronavirus pandemic, and contributions made by the Company to reduce the Scheme's deficit.

In addition, increases in yields available on Government bonds has decreased the amount of money that needs to be put aside now to pay benefits at a later date.

Since 31 March 2022, we have seen a decrease in the Scheme's funding level in part due to the volatile market conditions experienced in September 2022. However the prompt action taken by the Trustees limited the impact on the Scheme. The Trustees will continue to monitor Scheme funding and take appropriate action where required.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues.

Summary Funding Statement

Financial support

As part of the valuation at 31 March 2021, 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:

£1M by 31 March 2022

£1M by 31 March 2023

£1M by 31 March 2024

These contributions and anticipated investment growth are expected to remove the shortfall by 31 March 2024.

In addition, the Company continues to pay:

- A monthly contribution equal to 28.4% p.a. of members' pensionable salaries to help towards the future cost of members' benefits; Active members of the Scheme contribute a further 8% p.a. of pensionable salary.
- An annual levy to the Pension Protection Fund (see right); and
- All administration and running expenses.

The next formal valuation will look at the Scheme's position at 31 March 2024. This will include evaluating whether the Company's level of contributions needs to change.

If the Scheme came to an end

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

- The 'ongoing' basis (shown on the previous page), 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 is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 March 2021, the Scheme full solvency funding level was 71% with a shortfall of £70.0 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.

