

TrusteeNews 2022

The newsletter for
EPen members

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#YourPensionYourFuture



Welcome to your TrusteeNews

Clive
Gilchrist



Since the last newsletter, the Trustee has been busy concluding the transfer of the DC Section, ECashBuilder, to the Aegon master trust and the actuarial valuation of the DB Section, EPensionBuilder. We have also continued to prioritise Scheme governance in line with the expectations of The Pensions Regulator.

The decision to transfer ECashBuilder to a master trust followed a review of the investment options and member services. A selection process was carried out with help from the Trustee's advisers and the Aegon master trust was chosen. The transfer was completed in October 2021. For members with EPensionBuilder benefits in the Scheme there is an option to transfer former ECashBuilder benefits back to the Scheme at retirement and more information can be found on page 4.

EPensionBuilder is subject to a formal valuation every three years. The latest valuation was carried out as at 31 December 2020 and was finalised in March 2022. The results show the funding level has remained broadly the same as the last valuation carried out as at 31 December 2017. However, the shortfall has increased and the Trustee has agreed a funding plan with the Company which is expected to eliminate the shortfall by 30 June 2027. More information on the results of the valuation and also the more recent actuarial update as at 31 December 2021 can be found on page 3.

You may recall that in our last newsletter we invited nominations for the two Member Nominated Director (MND) positions on the Trustee Board as the terms of office for the current MNDs were due to come to an end in August 2021. We received nominations from Pete Bishop and Gil Okai and both were reappointed – it's great to have them on the Board for a further three years.

I hope you enjoy reading this newsletter and that you find it a useful way of keeping up to date on what's going on with your Scheme. Please don't forget that there is a dedicated section on the ZPen website where you can get up-to-date information regarding the Scheme – **Endsleigh Insurance Services Limited Pension and Assurance Scheme (zpen.info)**.

With very best wishes



Clive Gilchrist
Trustee Chairman

Your Trustee Board

Independent Director



Clive
Gilchrist
(Chair)

Company Nominated Trustee Directors



Phill
Agg



Tim
Grant



Greg
Wenzel

Member Nominated Trustee Directors



Pete
Bishop



Gil
Okai

Following the conclusion of the 2021 MND selection process, both Pete Bishop and Gil Okai have been re-appointed for a further three years.



Susanna Morran
Scheme Actuary

Update on the EPensionBuilder funding level

Every three years we carry out a formal valuation of EPensionBuilder's funding position to check whether there is likely to be enough money to pay the benefits as and when they fall due. We run this at the end of the Scheme year (31 December) and follow it up in the intervening years with an annual update. There is a statutory requirement to report the results to you which means some of the information contained in this section is required by law and so it can be quite difficult to understand. We've tried to make it as easy as possible for you to follow but if anything isn't clear or you'd like some clarification or more information, please let us know and we'll do our best to help.

The current valuation as at 31 December 2020 was formally approved by the Trustee, the Employer (EFS Financial Services Limited) and Scheme Actuary on 29 March 2022. The valuation is a complex process and takes a considerable amount of time to complete. The Pensions Regulator recognises it is a lengthy process so requires valuations to be completed within 15 months of the valuation date.

The table below shows the results of the valuation as at 31 December 2020 and the recent annual update as at 31 December 2021. If you would like to see a copy of the 31 December 2020 valuation report produced by the scheme actuary, please contact the scheme secretary at zpenteam@uk.zurich.com.

	31 December 2017 £ million <i>Valuation</i>	31 December 2018 £ million <i>Annual update</i>	31 December 2019 £ million <i>Annual update</i>	31 December 2020 £ million <i>Valuation</i>	31 December 2021 £ million <i>Annual update</i>
Assets	175.4	164.4	197.1	230.4	232.7
Amount needed to provide benefits (Liabilities)	230.8	215.4	252.8	305.6	283.3
(Shortfall)	(55.4)	(51.0)	(55.7)	(75.2)	(50.6)
Funding level	76%	76%	78%	75%	82%

The valuation as at 31 December 2020 showed that the Scheme had a funding level of 75% which corresponded to a shortfall of just over £75 million. Over the period since the previous valuation as at 31 December 2017 the value of both the assets and liabilities had increased and the contributions received from the Employer and positive investment experience were offset by changes in market conditions and the assumptions used to value the liabilities.

In light of the results, the Trustee has agreed a funding plan with the Employer which is expected to eliminate the shortfall by 30 June 2027. Details of this funding plan are below:

- Additional contributions of £11,380,000 pa paid by the Employer annually on 30 June each year (starting from 30 June 2022 until 30 June 2026).
- A final contribution of £14,870,000 payable on 30 June 2027.

The contributions above exclude administration expenses and the amount of the annual Pension Protection Fund (PPF) levy, which are paid directly by the Employer. However, the Scheme will meet the cost of any investment manager's expenses.

The results of the latest annual update as at 31 December 2021 showed that the Scheme funding level has improved to 82%. This is largely due to an increase in gilt yields which has meant a lower present value is placed on the liabilities.

What happens if the Scheme winds up?

Pension regulations require us to tell members what would happen if the Scheme were to wind up. Our Scheme is supported by a strong company but if the Scheme were to wind up the law requires the Employer to make sure that there is enough money in the Scheme to enable the Trustee to secure members' benefits with an insurance policy.

There is a safety net set up to protect pension schemes where employers go out of business. First of all, the Employer itself has to try and pay the amount needed to top up the funds required to secure the benefits. If the Employer was insolvent and could not pay this debt, the government's Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members.

As part of the 2020 valuation, the Scheme Actuary estimated that, if the scheme had wound up on 31 December 2020, there would be enough money to secure 46% of members' benefits on a buy-out basis (i.e. to purchase insurance policies paying all member benefits going forwards).

Payments to the company

No payments have been made to the Employer out of Scheme funds over the last year and the Scheme is not subject to any directions by the Pensions Regulator.

ECashBuilder – Transfer to Aegon Master Trust

Following a review of the investment options in 2020, the Trustee believed that members of ECashBuilder would get better services and value for money in a master trust. A selection process was carried out with help from the Trustee's advisers. The result of the selection process was that the Aegon master trust was selected to receive the transfer of ECashBuilder funds and this transfer was completed in October 2021. If you had ECashBuilder benefits you should have received confirmation from Aegon after the transfer was completed. Any queries about your ECashBuilder benefits should now be directed to Aegon who can be contacted at 0345 601 7721 or via email at My.pension@aegon.co.uk

Any EPensionBuilder benefits in the Scheme were not affected by this change. If you had ECashBuilder benefits in addition to your EPensionBuilder benefits in the Scheme, the Trustee has arranged a 'transfer back' facility for members. This means that when you choose to take your benefits, the funds that were transferred from ECashBuilder to Aegon can be transferred back into the Scheme to provide some, or all, of your tax-free cash lump sum. Please note that you will only be able to make the transfer back to the Scheme at the point you are taking your retirement benefits from EPensionBuilder, and you are only able to transfer the benefits that were transferred from ECashBuilder to Aegon (plus any investment returns) and any benefits you have built up in the Endsleigh Flexible Retirement Plan with Aviva following the sale of Endsleigh to A Plan.

Equalising for the effect of Guaranteed Minimum Pensions (GMPs): Update

As mentioned in the last few editions of TrusteeNews, a landmark legal ruling in the Lloyds Bank case requires pension schemes to equalise benefits for the effect of unequal GMPs for men and women. A GMP is the minimum level of pension that an individual is entitled to receive if they were a member of a contracted-out salary-related pension scheme and the legal ruling is concerned with GMPs built up between 17 May 1990 and 5 April 1997. GMPs are unequal for men and women because, by law, they are calculated differently and are also payable from different ages.

Rest assured that the Trustee is working towards equalising benefits where appropriate following the Lloyds Bank rulings. There are a number of steps that the Trustee has to take to do this, including reconciling Scheme records with HMRC, obtaining detailed actuarial and legal advice, considering complex tax issues and engaging with the sponsoring employer on the methodology for the equalisation. The timing for completion of the GMP equalisation project is therefore dependent on multiple factors. However, it is the intention to complete the project as soon as feasible.

Changes in your personal circumstances

In order to ensure that you receive the benefits to which you are entitled, it is extremely important that you keep us informed of any changes in your personal circumstances, such as a change of name, address or marital status.

If your details change in any way, please let us know by contacting us as soon as possible.

Pension Scams – Don't let a scammer enjoy your retirement!

If you are offered early access to your pension or to an investment option that seems too good to be true, the chances are it is. You can read a booklet on avoiding pension scams in simple steps from Pension Wise, Action Fraud and The Pensions Advisory Service at **Don't let a scammer enjoy your retirement (thepensionsregulator.gov.uk)**. If you want to know more, visit MoneyHelper www.moneyhelper.org.uk.

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds into it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

Scam tactics include:



contact out of the blue



promises of high/guaranteed returns



free pension reviews



access to your pension before age 55



pressure to act quickly

www.fca.org.uk/scamsmart

If you suspect a scam, report it:

- **Report to the Financial Conduct Authority (FCA)**
by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at www.fca.org.uk
- **Report to Action Fraud**
on **0300 123 2040** or at www.actionfraud.police.uk
- **If you're in the middle of a transfer,**
contact your provider immediately and then get in touch with MoneyHelper at: www.moneyhelper.org.uk

Scheme Information

- Annual report and accounts
- Valuation report
- Chair's statement
- Member's booklet
- Statement of investment and funding principles
- Annual actuarial report
- Recovery plan
- Trustee dispute procedure

If you would like a copy of any of the above please contact zpenteam@uk.zurich.com

How to contact us

EPensionBuilder queries:

Deferred members: zpenteam@uk.zurich.com

Pensioners: zurichteam@railpen.com

Tel: 0800 232 1915

You should consider taking independent advice on your options in relation to your benefits in the Scheme. Neither the Scheme Trustee nor any member of the Zurich Group (i.e. Zurich Insurance Group Ltd (registered in Switzerland with number CH-020.3.023.086-6) and its direct subsidiaries) are able to provide you with financial advice or accept any liability for any decision you make with regard to your retirement options.