TrusteeNews 2023

The newsletter for EPen members

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#YourPensionYourFuture

Message
from your Trustee Chair

Clive
Gilchrist

Welcome to the 2023 edition of TrusteeNews.

The Trustee has now received the Scheme Actuary's annual funding update as at 31 December 2022, the results of which are summarised in this newsletter, see **page 3**. Since the last full valuation as at 31 December 2020, I am pleased to report an improvement in the Scheme's funding position.

This Newsletter also includes a number of pensions news articles, covering topical issues and developments. However, I would particularly like to draw your attention to the article covering the transfer of ECashBuilder to a master trust back in 2021. For members with former ECashBuilder benefits, there is an option to transfer these back into the Scheme on retirement and more information can be found on **page 4**.

As in prior years, we have also touched upon the dangers of becoming a victim to pension scams. In order to combat the increasing sophistication of pension scams, the Government has introduced new rules, designed to protect you, should you be looking to transfer your pension to another pension arrangement. These new rules are summarised on **page 5**.

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)**.

I hope you find this newsletter interesting and, as ever, the Trustee is keen to hear your thoughts. If you have any comments or suggestions about what could be included in future communications, please get in touch using the contact details on **page 6**.

With very best wishes

Clive Gilchrist
Trustee Chairman

Your Trustee Board

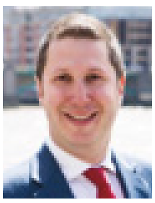
Independent Director

Clive Gilchrist (Chair)

Company Nominated Trustee Directors

Phill Agg

Tim Grant



Greg Wenzerul

Member Nominated Trustee Directors

Pete Bishop

Gil Okai

Susanna Morran
Scheme Actuary

Update on the EPensionBuilder funding level

The most recent formal valuation of EPensionBuilder was carried out as at 31 December 2020. At the time, the Scheme was 75% funded.

The scheme sponsor continues to contribute towards the Scheme and the Scheme Actuary has provided the Trustee with an update on the funding position of the Scheme as at 31 December 2022 (see below). This shows improvement since the previous update as at 31 December 2021. This is mainly due to the large increases seen in gilt yields over the period leading to higher discount rates (i.e. the interest rate used to convert pension payments into an equivalent present value).

The next triennial actuarial valuation for the Scheme is due to take place with an effective date of 31 December 2023 and results will be communicated when they are available.

What happened to the funding level in the period to 31 December 2022?

The table below shows the approximate updated funding position as at 31 December 2022. The results of the triennial valuation as at 31 December 2020, and the previous Actuarial Report as at 31 December 2021, are shown for comparison.

	31 December 2020 £ million *Valuation*	31 December 2021 £ million *Annual update*	31 December 2022 £ million *Annual update*
Assets	230.4	232.7	133.7
Amount needed to provide benefits (Liabilities)	305.6	283.3	160.8
(Shortfall)	(75.2)	(50.6)	(27.1)
Funding level	75%	82%	83%

What caused the Scheme's funding position to change since the last valuation?

There have been some significant changes in financial markets over the past year. Both the assets and liabilities of the Scheme have decreased largely due to the significant increases in gilt yields. The increased gilt yields have led to an increase in the discount rate which is used to value the liabilities of the Scheme (the expected cost of paying out promised benefits) and at the same time, the Scheme's Liability Driven Investment (LDI) assets should (and did) decrease when this happened.

The Scheme has benefited from deficit reduction contributions from the scheme sponsor, but improvements have been partially offset by inflation experience.

What is the Trustee doing to eliminate the shortfall?

When finalising the valuation as at 31 December 2020, the Trustee agreed a funding plan with the scheme sponsor which is expected to eliminate the shortfall by 30 June 2027. Details of this funding plan are below:

- Contributions of £11,380,000 a year paid by the scheme sponsor annually on 30 June each year from 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 scheme sponsor. However, the Scheme meets the cost of any investment managers' expenses.

What happens if the Scheme winds up?

Whilst there is no intention to wind up the Scheme, it is a statutory requirement to provide members with information on the Scheme's position if that were to happen.

There is a safety net set up to protect pension schemes where employers go out of business. First of all the scheme sponsor itself has to try and pay the amount needed to top up the funds required to secure the benefits. If the scheme sponsor 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 scheme sponsor and directions by the Pensions Regulator

No payments have been made to the scheme sponsor out of scheme funds over the last 12 months and the Scheme is not subject to any directions by the Pensions Regulator.

Recent Market Volatility

During the second half of 2022 Liability Driven Investment (LDI) portfolios held by UK pension schemes made headline news. This came about when market movements resulted in UK pension schemes selling government bonds in order to meet emergency collateral calls on their LDI portfolios, resulting in the Bank of England stepping in to buy government bonds.

The Scheme is exposed to LDI through its investment in two LDI funds. During the highly volatile period, a number of collateral calls were made by the fund manager which were all met on time in order for the Scheme to maintain its interest rate and inflation hedging targets. The LDI funds subsequently deleveraged (i.e. borrowed less money) to reduce sensitivity to yield movements. This meant that going forward the Scheme was required to invest more assets into the LDI funds to maintain the same level of hedging (i.e. the level of protection from changes to interest rates and inflation).

In light of the changes to the LDI allocation, the Trustee agreed an investment strategy change in Q4 2022 and implementation of the changes will take place during 2023. A summary of the changes are listed below:

– Maintain current hedging levels by increasing the allocation to LDI assets and reducing allocations to equity and credit

– Reduce the current home bias in equity allocation

– Include BBB credit to the investment universe and move from passive credit portfolio management to active management

Pensions Tax Changes

The Chancellor has made big changes to the amount individuals can build up in pensions without incurring an additional tax charge. From April 2023 the Lifetime Allowance is no longer applied, although a new limit has been introduced on the amount that can be taken as a tax-free lump sum. The Annual Allowance and Money Purchase Annual Allowance have also been increased.

The changes to the Annual and Lifetime Allowances will predominantly affect those with high earnings and high levels of pension savings, although more details are still to be published.

Here are the pensions highlights from the Spring Budget:

- The Lifetime Allowance (LTA) has been removed
- The Annual Allowance has increased from £40,000 to £60,000
- The threshold for those affected by the Tapered Annual Allowance has increased from £240,000 to £260,000
- The Money Purchase Annual Allowance has increased from £4,000 to £10,000
- The most you are able to take as a tax-free lump sum will be £268,275 (unless you have Lifetime Allowance protections)

More information can be found **here**.

Don't forget you can transfer ECashBuilder benefits back into the Scheme

For those members who had ECashBuilder benefits in addition to EPensionBuilder benefits in the Scheme, the Trustee has arranged a 'transfer back' facility for members.

This applies to:

- Funds that were transferred from ECashBuilder to the Aegon Master Trust (including investment returns)
- Benefits built up in the Endsleigh Flexible Retirement Plan with Aviva following the sale of Endsleigh to APlan

This means that when you choose to take your benefits, the funds you 'transfer back' into the Scheme can be used 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.

Thinking of transferring out?

If you are thinking of transferring your benefits out of the Scheme please be aware that because of new regulations brought in to help combat pension scams, the time it takes to process a transfer has increased – **it can now take up to 6 months to transfer**.

Remember, if you wish to transfer out your final salary (EPensionBuilder) benefits you will need to seek independent financial advice. You can find a suitable independent financial advisor by visiting one of the following websites:

- **www.vouchedfor.co.uk**
- **www.moneyadviceservice.org.uk**

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:

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

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 **zpenteam@uk.zurich.com** as soon as possible.

Increase to Normal Minimum Pension Age

The government has announced that from 6 April 2028 the minimum age you can access pension savings will increase from age 55 to age 57. In exceptional cases, some people may have an existing right under their Scheme rules to access their benefits before age 57. However, as this is a particularly complex area, further information will not be available until closer to the time.

Scheme Information

- **Annual report and accounts**
- **Valuation report**
- **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

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.

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