

Trusteenews

Your Trustee Board

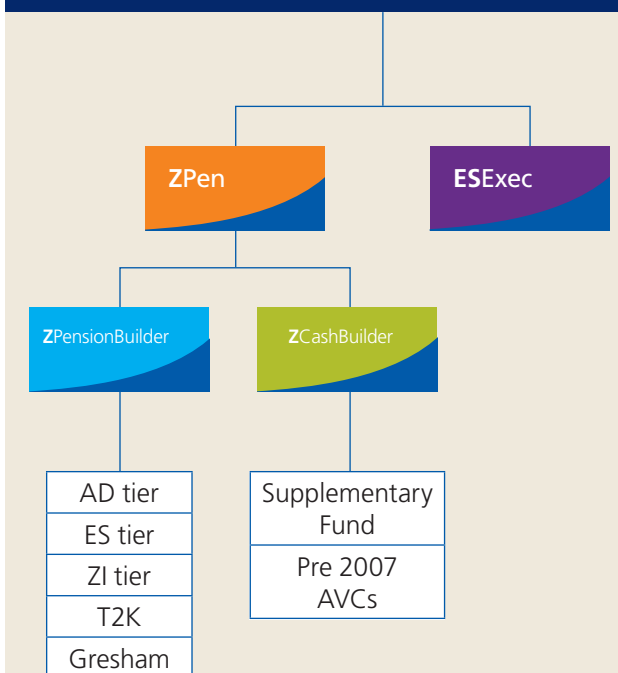


Alan Christian Gillian David Simon Tom Amy Clive Tim Graham

ZPensionBuilder

ZPensionBuilder is the final salary arrangement that was introduced in 2007, prior to that a number of final salary tiers were in place; Eagle Star, Allied Dunbar, Zurich Insurance, Tier 2000 and Gresham. The other final salary section of the scheme is the ES Executives' scheme, this section is entirely standalone from ZPensionBuilder and the other final salary tiers.

Zurich Financial Services UK Pension Scheme



ZCashBuilder

ZCashBuilder is a money purchase or defined contribution (DC) arrangement, whilst you are an active member Zurich will pay regular contributions into your personal account and you can also choose to save extra if you wish.

To view your account log in to the scheme website www.zpen.info if you don't know your pensions reference number email us at zcashbuilderteam@rpmico.uk

Some sections of this newsletter only apply to final salary members – these pages have a blue background. Pages that have a green background relate to ZCashBuilder only. So, if you have benefits in a final salary section of the scheme you only need to read the sections with a blue background, if you only have ZCashBuilder benefits then just read the sections with a green background and if you have both final salary and ZCashBuilder benefits you can read everything. Anything with an orange background is for everyone too.

Not sure what pension benefits you have?

Members with ZCashBuilder only will have joined the company after March 2007, if you joined the company before April 2007 you will have final salary benefits (and may have ZCashBuilder benefits too !).

If you're not sure, then log into www.zpen.info where you'll be able to find more information on your pension benefits.

Welcome to your Trusteeneews



David Sims
Chair

Our main focus this year has been on providing good quality customer service to all our members and ensuring that we maintain our rigorous approach to scheme governance.

The following are a few highlights from the year – you can find out more in the full scheme report and accounts which is available on the scheme website

www.zpen.info

Value for members

The trustees have a duty to assess value for members in the scheme's DC arrangements. Our review for this scheme year focussed on whether the scope and quality of the services available to DC members provide good value when compared with the costs and charges. There is more information about this on page 4 of this newsletter.

Valuation & funding

The annual update at 30 June 2018 showed that the funding level of the ZPensionBuilder section has reduced slightly since the 2016 valuation, however the funding level of the ES Executives' section has improved slightly. You can find more information on this on page 3.

Investment

Our investment strategy is kept under constant review and aims to find a balance between risk, control and maintaining growth. In 2017 we agreed to use Liability Driven Investment (LDI) to further reduce the ZPensionBuilder section's exposure to changes in interest rates and inflation and this is being managed for the scheme by Insight. Please read Simon Freeman's article on page 7 to find out more.

Scheme actuary

Following the scheme year end, Mark Howard resigned his position as Scheme Actuary in anticipation of his retirement from Barnett Waddingham. As is required, Mark made a formal statement on leaving office, he noted no circumstances connected with his resignation which significantly affected the interests of the members, prospective members or beneficiaries of the Scheme. Mark ceases to be Scheme Actuary in early December 2018 and the trustees have invited Susanna Morran, also from Barnett Waddingham, to take over from Mark.

I hope you enjoy reading this newsletter – as ever we welcome your feedback.

David Sims
Chair

New Trustee Amy Brettell



Amy was appointed as a company nominated director of the trustee company with effect from 24 September 2018.

Amy joined Zurich in 2007 as a graduate in the Actuarial function and has held a diverse set of roles since then including Strategic Assistant to Anne Torry and Head of Charities & Health with Zurich Municipal (ZM). In 2016, she became ZM's Head of Public Services & Private Finance Initiatives (PFI). In 2017, Amy became Chief of Staff reporting directly to Tulsi Naidu, CEO UK and has recently become the new Head of Customer and Market Insight.

New Actuary Susanna Morran



As mentioned in David's introduction Susanna Morran, a partner at Barnett Waddingham, succeeded Mark Howard as Scheme Actuary with effect from December 2018.

Susanna graduated from Oxford University with a first class degree in Mathematics and joined Barnett Waddingham in 1993. She qualified as a Fellow of the Institute and Faculty of Actuaries in 1997 and was made a partner at Barnett Waddingham in 2001. Susanna has been supporting Mark in providing actuarial services to the Scheme for a number of years so she already has an excellent understanding of our pension arrangements. As Scheme Actuary Susanna takes over from Mark as joint data controller under the General Data Protection Regulation (GDPR).

Scheme funding update – final salary sections

Every three years the trustees run a formal review of the scheme's funding position to check whether contributions are at the right level and whether there is enough money to pay benefits as they fall due.

We always run this at the end of the scheme year – 30 June – and follow it up every year with a less detailed review. The last formal review was undertaken in 2016 – the summary below shows the position at June 2018 and how this compares with recent years:

ZPensionBuilder	30-Jun-16 (£m)	30-Jun-17 (£m)	30-Jun-18 (£m)
Assets (excluding AVCs/APCs)	6,395	6,546	6,548
Amount needed to provide benefits	6,984	7,213	7,177
(Shortfall)	(589)	(667)	(629)
Funding level excluding SLP	92%	91%	91%
Asset backed contribution (SLP)	893	860	845
(Shortfall) / Surplus incl SLP	304	193	216
Funding level including SLP	104%	103%	103%

ESExec	30-Jun-16 (£m)	30-Jun-17 (£m)	30-Jun-18 (£m)
Assets	192.3	196.3	195.8
Amount needed to provide benefits	190.7	189.8	186.2
(Shortfall) / Surplus	1.6	6.5	9.6
Funding level	101%	103%	105%

Although it is important to remember that the figures shown at 30 June 2018 are not calculated with the same rigour that applies to the triennial Actuarial Valuation, the results have been generated by the Actuary on an appropriate basis and in accordance with the requirements of the Pensions Regulator. The main reason for the change in the funding position of the ZPen section of the scheme between 2016 and 2018 has been an increase in expected long-term RPI inflation and a fall in corporate bond spreads. The funding level of the ES Executives' section has improved slightly since the valuation on 30 June 2016 because the assets have performed better than expected, this has been partially offset by an increase in the long-term inflation assumption.

The SLP arrangement involves loans guaranteed by Zurich Insurance Company in Switzerland and generates an annual income stream for the ZPen section of the Scheme of £60 million for 24 years from its introduction in 2014 (or less if certain funding conditions are met or if certain prescribed events occur). You can find more information about the SLP in the Winter 2014 Trusteesnews available from the Library section of the scheme website www.zpen.info

What happens if the scheme winds up?

Pension regulations require that we 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 principal and participating employers to make sure that there is enough money in the scheme to enable the trustees 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 company itself has to try and pay the amount needed to top up the funds required to secure the benefits. If the company 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 2016 valuation, our actuary estimated that, if the scheme had wound up at 30 June 2016, there would still be enough money to secure 59% of members' benefits in ZPen and 87% in the ES Exec section. You can get the full picture by logging onto the Trustees' secure website www.zpen.info where you will be able to read the full valuation report.

Payments to the company

The company settles all administration costs and invoices as the trustees' agent and the trustees reimburse the company accordingly. No other payments have been made to the company out of scheme funds over the last year.

The scheme is not subject to any directions by the Pensions Regulator.

Value for members

The trustees have a duty to assess value for members in the scheme's defined contribution (DC) arrangements.

Our review for this scheme year focussed on whether the scope and quality of the services available to DC members provide good value when compared with the costs and charges. Our DC advisers, Hymans Robertson, provided benchmarking information gathered from other pension schemes to support our review. A number of you also participated in a focus group and your valuable input helped us to draw conclusions on whether the scheme services are suitable for, relevant to, and valued by members and also the performance of those services – thank you.

Summary of the scheme's DC arrangements

DC arrangements	Administrator	Investment provider	Total value
ZCashBuilder	RPMI	ZAL	£290m
Supplementary Fund	ZPen team	ZAL	£2.3m
Eagle Star VCPs	ZPen team	ZAL	£2m
Gresham AVCs	ZPen team	ZAL	£0.1m
Threadneedle AVCs	ZPen team	Threadneedle	£3m
Windsor Life AVCs	ZPen team	ReAssure	£1m

NB: All arrangements other than ZCashBuilder are referred to as legacy AVCs

The trustees concluded that ZCashBuilder members benefit from good governance with a strong trustee board and the support of a professional in house pensions team. The member nominated director selection process is rigorous, as is the risk management process and service provider monitoring. Members benefit from a good employer contribution to ZCashBuilder and a highly effective administration service provided by RPMI with very good performance against agreed service standards (above the level recommended by the Pensions Regulator) and a low number of complaints given the size of the membership. Hymans Robertson have assessed the default and self-select fund ranges as highly suitable with slightly lower charges on average than other schemes' fund ranges in their client database (NB Since the review charges have reduced even further – see page 6 of this newsletter). In addition, there is close performance monitoring and the funds have performed broadly in line with their benchmarks over the period. Members benefit from a range of communication methods and a good website with modelling tools and substantial information. Whilst more segmenting and targeting of communications is desirable, alongside improvements to the members' website, there is significant communications support for members, in particular the

regional pension support which is well beyond that typically offered by other schemes.

The legacy AVC arrangements are supplemental to final salary benefits and since the introduction of ZCashBuilder in 2007 they have been closed to future contributions (with the exception of the Supplementary Fund). Fund charges are broadly comparable with similar funds in ZCashBuilder and the majority of funds have performed above their benchmarks. Members have the option to transfer their legacy AVCs to ZCashBuilder at any time, although some legacy AVC funds have valuable 'built in' features such as bonus allocations and guaranteed annuity rates.

Overall, the trustees have concluded that the scheme's DC arrangements are offering good value for members.

We are currently in the process of setting up a dedicated DC sub-committee of the trustee board to consider DC specific pension scheme matters, we expect this committee to be in place from Q2 2019.

If you have any comments on any aspect of our DC arrangements please let us know, we value your feedback and can't resolve issues if you don't tell us about them. Email us at: zpenteam@uk.zurich.com

ZCashBuilder? Get your personal illustration today!

ZCashBuilder

Did you know that if you are already a member of the ZCashBuilder section of the scheme you are entitled to an annual illustration of the pension benefits you may get when you retire?

The good news is that you can get this illustration (known as a Statutory Money Purchase Illustration or SMPI) any time you want it because it's available 24 hours a day, 7 days a week, 365 days a year at the Trustees' secure website www.zpen.info.

If you've already registered you can simply log on and click on the ZCashBuilder Planner tab to see your personal illustration.

If you haven't registered yet, it's easy.

All you need is your pension reference number (call us on 0800 232 1915 (option 2) if you don't have it) and your National Insurance number. Don't delay – register today!



Vital statistics

Scheme membership at 30 June 2018



5,016 active members (inc 1,824 members with final salary link and members with protection)



11,753 members or dependants receiving a pension

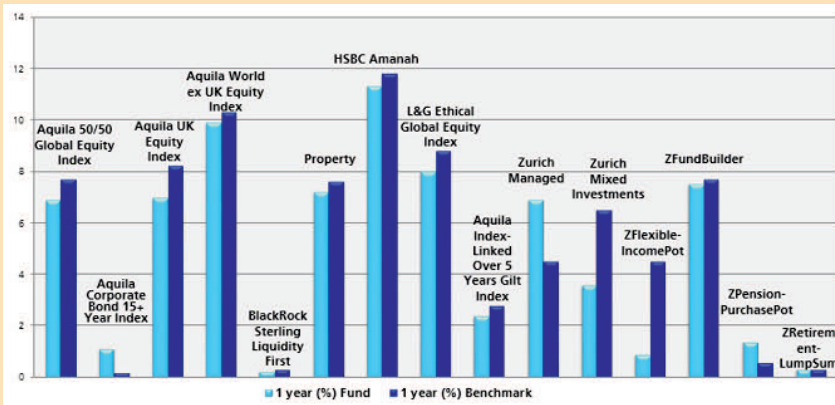


23,679 members with preserved benefits (i.e. former employees with benefits payable from the scheme)

Total scheme assets increased to £7.891bn over the course of the scheme year. The net assets include the value of all final salary and money purchase investments held in the scheme.

Assets at 30 June 2017	£7.857bn
IN	
Contributions and income	£66.5m
Return on investments	£400.7m
OUT	
Pensions and other payments	(£433.3m)
Assets at 30 June 2018	£7.891bn

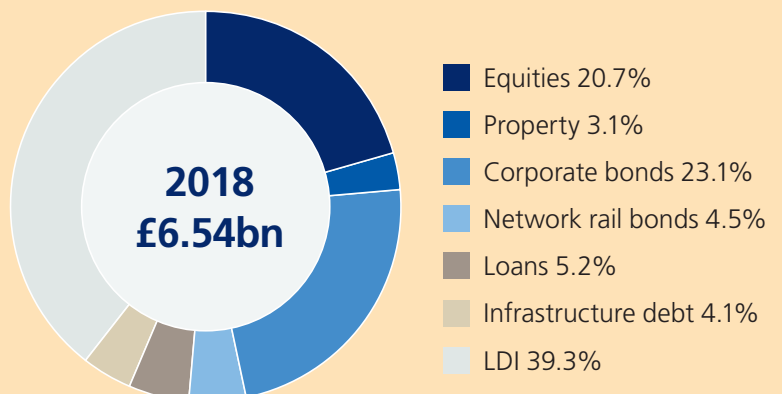
ZCashBuilder performance for one year ended 30 June 2018



This chart shows the performance of the ZCashBuilder fund choices against their respective benchmarks in the last scheme year. You can check performance over longer periods in the scheme annual report and accounts and keep up to date with performance at the scheme website www.zpen.info.

The distribution of investments for ZPensionBuilder at 30 June 2018

This chart shows the investments held in the ZPensionBuilder section of the scheme as at the scheme year end. You can check on investment movements and on the performance of different sectors in both the short and longer term in the scheme annual report and accounts.



The full scheme report and accounts is now available in the Library section of the scheme website www.zpen.info

ZCashBuilder – new charges

Good news for ZCashBuilder members – a recent review has resulted in a reduction in administration charges of two basis points (bps) on all funds from 1 November 2018 (except ZRetirementLumpSum which was already 0%) and a reduction in fund charges of 3.5 bps from 1 January 2019.

The new charges from 1 January 2019 are shown in the table below:

Funds	Admin charge (bps)	Fund charge (bps)	Total Annual Management Charge (bps)
ZFundBuilder*	18.5	33.3	51.8
ZFlexibleIncomePot*	18.5	36.5	55.0
ZPensionPurchasePot*	18.5	10.4	28.9
ZRetirementLumpSum*	Nil	8.0	8.0
50/50 Global Equity Index	18.5	9.8	28.3
UK Equity Index	18.5	9.3	27.8
World ex-UK Index	18.5	10.0	28.5
Ethical Global Equity Index	18.5	26.5	45.0
Corporate Bond Over 15 Year Index	18.5	10.5	29.0
Index-Linked Over 5 Year Gilt Index	18.5	9.4	27.9
Sterling Liquidity	18.5	9.0	27.5
Property	18.5	65.4	83.9
Zurich Managed Fund	18.5	43.3	61.8
Zurich Mixed Investments Fund	18.5	36.1	54.6
HSBC Islamic (Sharia)	18.5	36.5	55.0

* Default Funds

bps is a unit of measure for interest rates. One bps is equal to 0.01%

NB: There are also transaction costs associated with the sale and purchase of the funds – the trustees are satisfied that the current costs represent good value for members

Value for money ?

As you will have seen on page 4 the trustees are duty bound to assess value for members, as a result they must make an assessment of charges and transaction costs borne by ZCashBuilder members and the extent to which those charges and costs represent good value for money for members.

The default arrangement attracts varying levels of management charge depending on how far the member is from their selected pension age. The maximum charge that will be levied on the members, if they are invested 100% in ZFlexibleIncomePot is a charge of 0.55% (of assets under management) for all members. This is lower than the maximum allowed of 0.75%.

The trustees also make available a range of 12 self-select funds which may be chosen as an alternative to the default arrangement. Members can also invest in funds that make up the default arrangement individually. These funds attract annual charges of between 0.28% and 0.84%. These funds allow members to take a more tailored approach to managing their own pension investments.

The trustees also make available a selection of 13 additional lifestyles that can be selected by the members. Members can choose multiples of 25% in any of the lifestyle funds. For example a member could target 25% in annuity purchase, 50% in drawdown and 25% in cash. The maximum charge for any component of the lifestyle funds is 0.55%.

Small savings add up!

We understand that it's not easy to commit to saving more towards your pension, there are lots of demands on your pay so trying to find even a little bit extra for a benefit you're not normally going to see until you're at least 55 can be difficult.

The good news is that Zurich contributes 12% of your pensionable pay into your ZCashBuilder pot whether you save anything or not, but if you can afford to save a bit extra it can make a big difference.

Contributing £2.50 a week could give you an extra £5,000 after 20 years and better than that it won't actually cost you £2.50 a week, if you save using flex you'll save tax and national insurance meaning the real cost will be £1.70 a week. That's less than the price of a cup of coffee!



ZPensionBuilder assets are now worth more than £6 billion So, how do we invest them ?



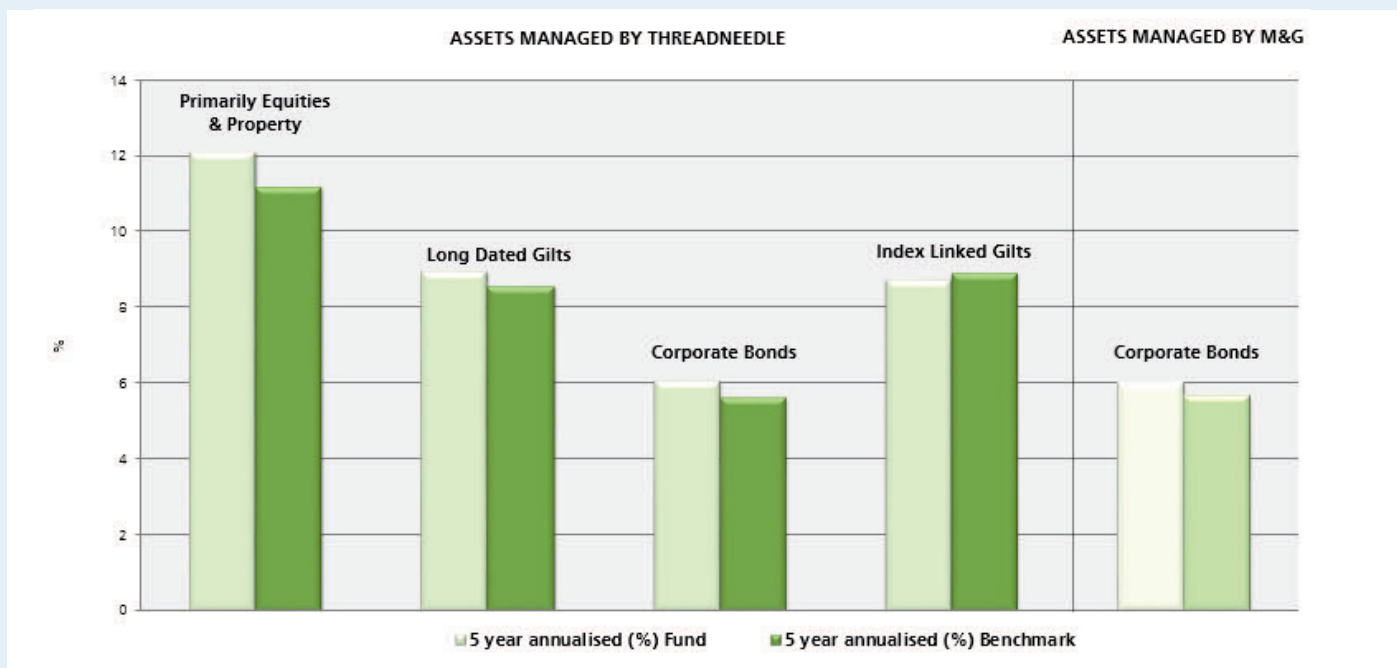
By Simon Freeman, Finance Manager, ZPen Team

The overriding objective for the trustees and the funding committee is to design and put in place an investment strategy that will deliver sufficient cash to pay benefits when they fall due. We aim to reach an appropriate balance between risk, seeking returns through growth assets and the extent to which the assets should be distributed to match its liabilities (this is known as the strategic asset allocation (SAA)).

During the year the funding committee carried out a review of the equity allocation for ZPensionBuilder. The main objective was to analyse and potentially improve its investment philosophy and processes. Areas reviewed included equity sub-allocation, tactical asset allocation (TAA), consideration of actively vs passively managed portfolios and updating investment guidelines.

As a result of this review the decision was made to decrease UK and Global Emerging market exposure by 10% and 5% respectively and increase allocation into the Global Small Caps & US portfolios by 10% and 5% respectively. The ranges around the TAA benchmark weights to regions were reduced while still allowing our investment manager to deviate from regional benchmarks by over/under-weighting specific regions. The committee agreed to maintain active management across all regions after consideration of the benefits and potential drawbacks of this approach.

ZPensionBuilder performance for the five years ended 30 June 2018



To find out more about scheme investments go to the scheme reports and accounts – available in the Library section of the scheme website www.zpen.info

Equalisation of GMPs

There was a court judgment released on 26 October 2018, requiring schemes like ours that contracted out of the old State Earnings Related Pension Scheme between 1990 and 1997 to equalise benefits for the effect of the integration with an unequal state pension system – known as the Guaranteed Minimum Pension (GMP). We are working through the implications of this judgment. However, as an interim measure, we have put transfers in on hold temporarily to make sure that we can identify any incoming transfers that may have originally contained a GMP. We will let you know when transfers in can start again, although, as now, we will restrict this to transfers that don't have a relevant GMP somewhere in their history.

How to contact us

Please note our new telephone number is **0800 232 1915**

Press 1 for Pensioner Payroll

Press 2 for ZCashBuilder queries (or if you are locked out of your online account)

Stay on the line for queries about Final Salary pension benefits.

Pension pay days 2019

7 January	7 May	6 September
6 February	6 June	7 October
6 March	8 July	6 November
8 April	6 August	6 December

Remember you can see your pension payslip every month by logging in to your account at www.zpen.info

You can get the following information on line at www.zpen.info

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



You should consider taking independent advice on your options in relation to your benefits under the scheme. Neither the Scheme Trustee (Zurich Financial Services UK Pension Trustee Limited) 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.

Are you looking for a new challenge?

Have you ever thought about becoming a pension scheme trustee?

What are the qualities of an effective Trustee ?

Commitment

An understanding of the importance of the scheme and of the trustee's role. A willingness to spend the time required for the job. A willingness to attend training and to acquire and maintain sufficient expertise (If you are a current Zurich employee you will get support with time off from work to attend training and meetings)

Thoroughness

The ability to read documents, advice and other relevant papers fully and carefully and note salient points. A willingness to ask questions of the company and of the trustees' advisers and to listen to other points of view

Balance

Freedom from material conflicts of interest and the ability to put aside any competing interests effectively while acting as a trustee. A degree of realism that recognises that decisions have to be made even though there are rarely 'easy answers'.

What are the key duties?

- To act in line with the trust deed and rules
- To act prudently, responsibly and honestly
- To act in the best interests of the beneficiaries
- To act impartially

What is a trustee not?

Trustees have few powers to change the rules of the scheme unilaterally. They also represent all beneficiaries equally – not just their own 'constituency' or interests

Still interested?

To find out more about the selection process go to the scheme website www.zpen.info