

Welcome to your Trusteesnews

Since the last newsletter we have continued to prioritise scheme governance in line with the ever increasing requirements of The Pensions Regulator.

A significant number of these requirements relate to Defined Contribution (DC) pensions and our new DC Committee is now up and running to provide greater focus on ZCashBuilder (ZCB) and the legacy AVCs. We have also undertaken a significant amount of work around the formal actuarial valuation of the scheme as at 30 June 2019 and the ZPen team is working through the details of the High Court judgment in the Lloyds Banking Group case around equalising guaranteed minimum pensions.

Dedicated DC Committee

In June 2019, the trustees set up a DC Committee to provide more focus and attention on ZCB and the legacy AVC arrangements within the scheme. The Committee is made up of representatives from the Trustee board and from the company, chosen for their experience and expertise. It is being supported by a dedicated DC Manager who joined the ZPen team in April 2019.

The Chair's statement on DC governance can be found in the library section of 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 in ZCB and the legacy AVC arrangements provides value when compared with the costs and charges. Our investment adviser, Hymans Robertson, provided benchmarking information gathered from other pension schemes to support our review. Overall, the trustees concluded that ZCB provides value for members. You can read more about this in the Chair's statement which is available on the scheme website www.zpen.info.

Defined Benefit investment strategy and environmental, social and governance factors

Our investment strategy is kept under constant review and aims to find a balance between controlling risk and seeking returns with growth assets. In 2017 we agreed to use Liability Driven Investment (LDI) as a way of reducing our exposure to interest rate changes and inflation.

In June 2019 the trustees formalised their responsible investment strategy. The trustees believe that incorporating environmental, social and governance (ESG) factors into investment decisions improves long term risk adjusted returns. You can read more about our approach to ESG on page 3 of this newsletter.

Trustee knowledge and understanding

We have continued our focus on ensuring we meet The Pensions Regulator's expectations of how a well-run scheme should be managed. Part of this is ensuring that the trustees have enough knowledge and understanding to be able to carry out their function as a trustee. Each year we set aside at least one day for training and development. This year we received training on integrated risk management, the anticipated new DB funding code, DC considerations, Trustee board diversity, and company accounting considerations. All our training is delivered by appropriate specialists in the relevant fields.

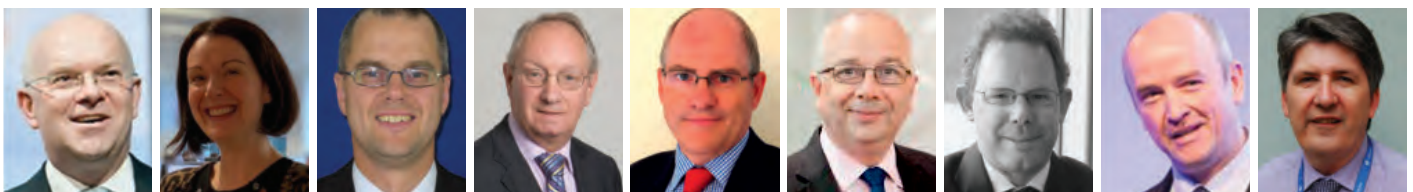
General Election, Brexit and a new Pensions Bill

The recent general election result has given a greater degree of certainty over the UK leaving the European Union. In addition, a new Pensions Bill is likely to be brought before Parliament during 2020 and we will, of course, continue to monitor developments on both of these issues and any potential impact on your scheme.

I hope you enjoy reading this newsletter, don't forget to keep up to date by visiting the scheme website www.zpen.info on a regular basis.

David Sims
Chair

Your Trustee Board



David

Amy

Christian

Clive

Graham

Neil

Simon

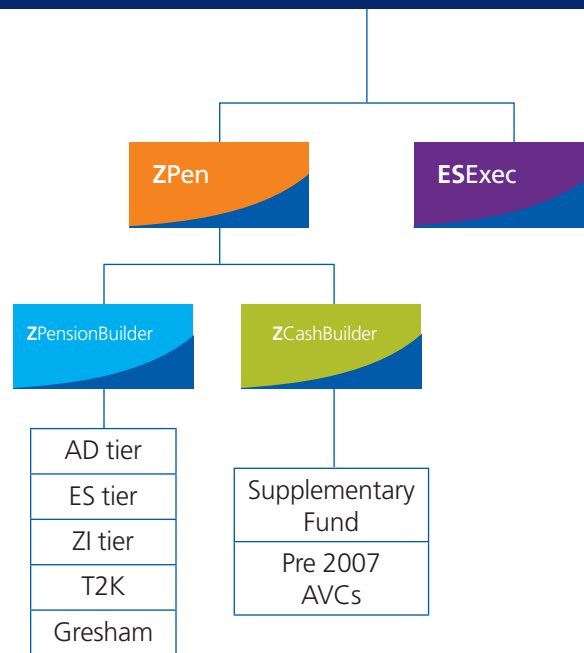
Tim

Tom

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', 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 tab. Pages that have a green tab relate to ZCashBuilder only. Anything with an orange tab is for everyone.

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.

STOP PRESS: NEW COMPANY-NOMINATED DIRECTOR

The company has announced its intention to appoint Katja Pluto, Head of Risk, EMEA, as a company-nominated director. The appointment is due to be formalised in March 2020.



Changes to your Trustee board

There have been a number of changes to your Trustee board in the last year.

On 30 April 2019 Alan Wood retired from being a member-nominated director after over 25 years on the Trustee board. Following a member-nominated director selection process, Neil Evans, former UK Life Chief Financial Officer, was appointed with effect from 1 August 2019 for a three year term.

On 31 December 2019 Gillian Mitchell resigned as a company-nominated director after more than 6 years on the Trustee board. Gillian has held a number of senior positions in pensions at Zurich for almost 20 years. Both Gillian and Alan will be missed and we would like to take this opportunity to thank them for their significant contributions to the work of the Trustee board.

Are you looking for a new challenge?

Have you ever thought about becoming a pension scheme trustee?

We know that many of you are interested in how the scheme is run and becoming a member-nominated trustee director is a great way to be involved and do something for the benefit of current and former Zurich colleagues.

The role of trustee director can be very rewarding and can provide a great opportunity for your personal development. If successful you would be part of a board of directors overseeing the pension benefits for around 40,000 scheme members and assets of more than £8 billion. You don't need to be a pensions expert, you'll get appropriate training and support to help you with the technical aspects. To be an effective trustee you must be able to work as part of a team who each bring their own very different skill sets. You also need to be an effective communicator and that means both listening to sometimes complex discussions and contributing to them.

The trustees normally meet at least four times a year to consider the effective running of the scheme including making decisions on investments, administration and discretionary issues. Meeting papers are circulated in advance of each meeting and you will be required to read these before the meeting to ensure you are fully prepared.

The trustees represent all beneficiaries equally (not just their own 'constituency' or interests). It doesn't matter which section of the scheme you are from or whether you are already taking a pension, if you feel you can make a positive contribution we would really like to hear from you.

Interested? Look out for further information coming later this year or email sally.mallyon@uk.zurich.com



Update on the scheme funding level

Every three years the trustees run a formal valuation of the scheme to check whether there is enough money to pay benefits as they fall due.

The latest valuation is as at 30 June 2019, although the results won't be finalised until later in 2020.

As soon as the final results are available we will publish details on the scheme website www.zpen.info and update you in a special valuation newsletter.

Susanna Morran
Scheme Actuary

Scheme Investment: Environmental, Social and Governance Factors



The trustees believe that incorporating responsible investments into investment decisions improves long term risk adjusted returns. The trustees have been integrating environmental, social and governance (ESG) factors at various steps in its investment process for many years, and in June 2019 they formalised the scheme's responsible investment strategy to reflect the changing regulatory landscape.

Marta Bujak
Responsible Investment Champion
Part of the formalisation was to appoint a Responsible Investment (RI) Champion, Marta Bujak, to enable the scheme to access resources and the global Zurich network of expertise.

Marta sets out below some details concerning the strategy for the scheme. There are five core principles to the responsible investment strategy that has been implemented:

What	We believe that incorporating ESG factors into investment decisions improves long term risk-adjusted returns
	We are an active owner – we vote proxies and engage, where appropriate
How	We take a pragmatic approach to responsible investments – we focus on what matters most
	We note Zurich Group's strategy and will leverage its global resources where it makes sense
When	We will evolve our responsible investment approach over time – and acknowledge that we will never be done

As well as appointing me as RI Champion for day to day issues, Tim Culling has been appointed as the Trustee sponsor with specific responsibility for ESG investments. The aim is to ensure we truly embed responsible investments into the scheme's priorities.

The trustees rely on the scheme's fund managers to select stocks to ensure the scheme's investment objectives are met, this means they also rely on them to consider any stock specific issues regarding ESG factors. However, we monitor and assess the fund managers on a regular basis and this includes regular meetings to challenge them on various topics such as ESG factors and stewardship (voting on the scheme's behalf).

As at September 2019, the scheme's assets had a good quality ESG score, assessed using a measure called the "MSCI" index (a global index that includes measurement of ESG measures provided by Morgan Stanley Capital International).

For ZCashBuilder members an ESG fund is available as a self-select option (SW L&G Ethical Global Equity Index). The fund passively tracks a benchmark that screens companies for specific ESG criteria, companies that do not meet the criteria are excluded from the benchmark.

To find out more of our responsible investment policies, please read the Statement of Investment Principles – available in the Library section on the scheme website www.zpen.info.

GMP Equalisation update

As you may recall from the last Trusteesnews there was a High Court judgment on 26 October 2018, requiring schemes like ours that contracted out of the old State Earnings Related Pension Scheme between May 1990 and April 1997 to equalise benefits for the effect of the integration with an unequal state pension system. Contracted out benefits in the scheme for pensionable service before April 1997 are known as the Guaranteed Minimum Pension (GMP).

We have been working through the implications of this judgment whilst continuing to reconcile our GMP benefits with the records held by HMRC (this exercise is being undertaken by schemes across the pensions industry and is a pre-requisite for GMP equalisation). We are also expecting further guidance on GMP equalisation from the pensions industry GMP Equalisation Working Group, HMRC, and the outcome of a follow up Court ruling in the GMP equalisation case.

We had put a temporary hold on members transferring benefits from other pension arrangements into the scheme, but as you will have seen on the scheme website, www.zpen.info, the scheme is now continuing to accept transfers-in as long as there is no GMP related element to the transfer.

For more information on transferring pension benefits into the scheme please contact zcashbuilderteam@rpm.co.uk. This option is only available to active members of the scheme.

We will continue to update you on progress with GMP equalisation on the scheme website www.zpen.info.

New DC Committee – Ensuring we get DC right!

In June 2019 the trustees set up a DC Committee to provide more focus and attention on the ZCashBuilder and legacy AVC arrangements within the scheme in the light of increasing governance requirements from The Pensions Regulator. Until the DC Committee was formed, the Funding Committee oversaw the investment strategy for the ZCashBuilder arrangements.

The Committee is made up of representatives from the Trustee board and from the company, chosen for their experience and expertise. Apart from the Committee members themselves, various other people may attend the meetings, including members of the UK Pensions and Benefits team, as well as external specialist investment analysts and advisers.

DC committee members



Tim Culling
Committee chair
Member
nominated Trustee



BESTrustees
Independent
Trustee
represented by
Catherine
Redmond



Amy Brettell
Company
nominated Trustee



Kevin Watts
Company
representative



Tracey Anderson
Trustee in waiting*
*Tracey could be appointed to the trustee board if an existing trustee leaves



Karen Strudwick-Tettmar

New DC Manager

In April Karen Strudwick-Tettmar joined the UK Pensions & Benefits Team with a remit to support all our DC activity.

Karen joined us from Willis Towers Watson and is an experienced DC specialist. Karen acts as Secretary to the DC Committee.

Investment advisers and analysts

The trustees have appointed Hymans Robertson as investment advisers and Zurich Investment Management as investment analysts, they work together to develop proposals and provide advice and analysis to the trustees on these. The DC Committee has an objective to “create and maintain a framework within ZPen to help members with DC benefits achieve what they consider to be a good outcome when taking their benefits” and their work to achieve this falls into two areas:

On-going governance including:

- Annual Value for Members assessment
- Annual assessment against The Pension Regulator’s Code of Practice 13
- Preparation of the Chair’s Statement
- Monitoring the investment options including the default lifestyle strategies
- Monitoring of the legacy AVCs
- Monitoring the performance of the scheme administrators

Strategic work

- Reviewing the investment options and default strategies to ensure they remain appropriate for the membership
- Setting, and implementing, a strategy for member communications and engagement to improve members’ understanding
- Consideration of the at-retirement options

Further details, including the performance of individual funds, can be found in the scheme report and accounts available online at www.zpen.info.

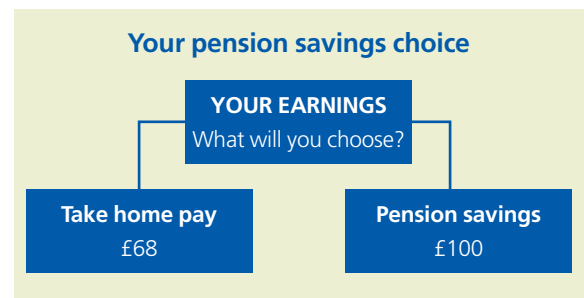
How to get a 47% return on your pension savings – instantly!

If it’s too good to be true then it usually isn’t true, but not in this case!

It’s quite simple really, to encourage pension saving the government allow you to save tax and national insurance if instead of taking some of your earnings as pay you save it into your pension pot instead.

So, if you’re a basic rate tax payer and you save £100 into your pension pot it actually costs you £68, that’s a 47% return immediately.

What’s the catch? The only drawback is that you can’t normally access your pension savings until you’re at least 55.



Notes:

You save tax on all your pension savings but only save National Insurance if you save through the Indigo annual benefits selection. Once invested investment returns are applied largely tax free.

If you’re a higher rate tax payer (40%) the savings are even bigger – £100 saved will cost just £58 of your take home pay.

However, some higher rate tax payers may be restricted by the Annual Allowance.

When you take your pension benefits you may have to pay tax on some or all of your ZCashbuilder fund. Contact the ZCashbuilder Team to find out more.

Your ZCashBuilder investment choices

The way your ZCB benefits are invested is really important and needs to balance getting good investment performance with managing the investment risks. This balance will be different for different people so the trustees aim to provide a range of investment options which allow members to meet their different investment needs both now and as they change over time. This is done by offering the options listed in the box below.

- A default lifestyle strategy for those with ZCB benefits only
- A default lifestyle strategy for those with final salary benefits in the scheme as well as ZCB benefits
- A range of self-select lifestyle strategies
- A range of investment funds allowing you to choose your own investments in the proportions that suit you

More information on these options is available from the scheme website www.zpen.info.

The investment options are being reviewed by the DC Committee as the trustees have to ensure they remain suitable for you as members. As part of this review the DC Committee will look at the following:

- How to help members manage their investment risks
- How members in the default strategy are likely to take their benefits at retirement: for many of you this is over 20 years away but pensions is a long term investment
- Ensuring the charges you pay continue to offer value for money
- Achieving the right balance of investment choice for the scheme members

Naturally, the review will also consider the environmental, social and governance factors discussed on page 3 of this newsletter.

This is a big piece of work and we're taking time to undertake a thorough and comprehensive review. Changes are likely to happen sometime towards the end of 2020 – and we will keep you informed as and when there is more news.

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 Trustee's 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 2019



4,722 active members (inc 1,484 members with final salary link and members with protection)



11,785 members or dependants receiving a pension

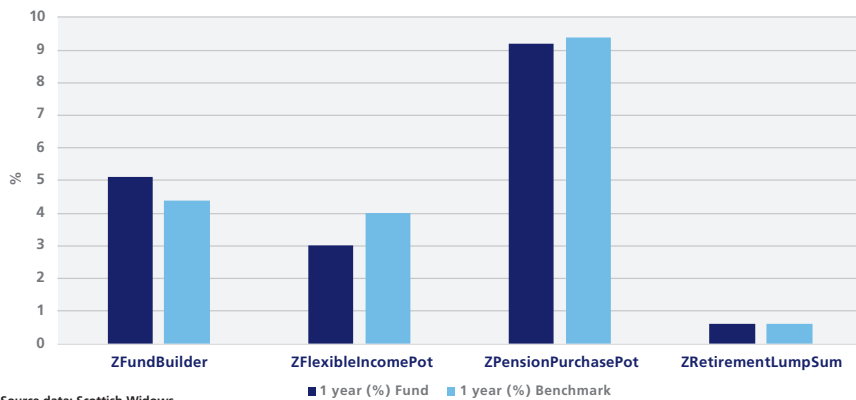


23,710 members with preserved benefits (i.e. former employees with benefits payable from the scheme)

Total scheme assets increased to £8.276bn 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 2018	£7.891bn
IN	
Contributions and income	£65.5m
Return on investments	£603.8m
OUT	
Pensions and other payments	(£284.8m)
Assets at 30 June 2019	£8.276bn

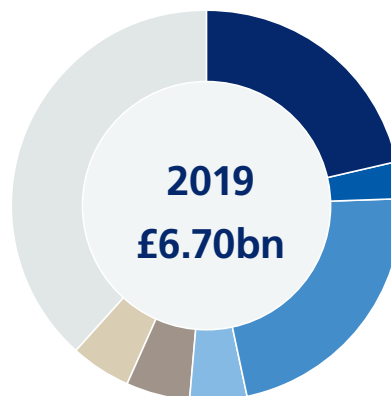
ZCashBuilder lifestyle strategy fund performance for one year ended 30 June 2019



This chart shows the performance of the ZCashBuilder lifestyle strategy funds against their respective benchmarks in the last scheme year. You can check performance over longer periods and for the self-select funds 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 2019

This chart shows the investments held in the ZPensionBuilder section of the scheme as at the scheme year end. You can find more detail and 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.

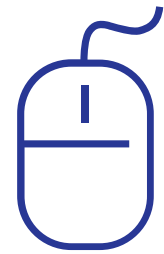


- Equities 21.4%
- Property 3.2%
- Corporate bonds 22.1%
- Network rail bonds 4.7%
- Loans 5.3%
- Infrastructure debt 5.0%
- Liability Driven Investment (LDI) 38.3%

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

Safe surfing

It is important that you access www.zpen.info on your own computer. If you use an internet cafe, a networked computer or a shared computer, you should be aware that your personal information may be stored in the memory of that computer and may be accessible to another person. Please also remember to log off the website when you've finished looking at your personal pension information.



As you know you can gain access to the information the pension scheme trustees and their administrators hold about you by using your username and password. You are responsible for ensuring the confidentiality and proper use of your username and password. You are also responsible for restricting access to your computer or any other computer which stores your details. In order to help the trustees and their administrators keep your information secure you should not leave your computer unattended while you are logged on to the website.

If you believe that someone other than you knows your username and password or has access to your account you must let us know as soon as possible – call us on 0800 232 1915 or email us at zpenteam@uk.zurich.com.

FayesTime



Our Regional Pensions Support Manager, Faye Willetts, runs a wide range of seminars and webinars every year; to see the latest sessions on offer go to the scheme website www.zpen.info and look under The Programme under the Support tab.

Faye has been running pension sessions at Zurich for more than 11 years and to date the sessions have attracted more than 15,000 attendees. The sessions are always well received and you can attend whichever meets your needs; most sessions last less than half an hour. A small investment of your time can pay big dividends when it comes to understanding your pension benefits!

Faye Willetts
Regional Pensions Support Manager

Just some of Faye's fab feedback:

"Faye is so knowledgeable and enthusiastic and gives you so much confidence. Everyone coming up to retirement age should have Faye in their lives (we need to clone her). This is a brilliant service that needs to be maintained; please don't stop doing this, it is really valuable."

"Really appreciate your time earlier. I'm certainly no pensions or tax expert so you made it very easy for the layman."

"Just wanted to say thank you for the sessions today, I thought they were exceptionally informative. The topic of pensions is a minefield and whilst I still don't understand everything, I have a much better understanding after today than I had from all the literature I've read."

Don't let a scammer enjoy your retirement

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 release funds from it. It is then invested in unusual and high risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

If you need any information about your pension please contact us direct. We can provide information but we can't give advice, if you need to take advice you can find a suitable independent financial advisor by visiting one of the following websites:

www.vouchedfor.co.uk – promotes the benefits of independent financial advice to consumers and businesses. This website provides a search tool to find a local independent financial advisor.

www.moneyadvice.service.org.uk – for consumer information relating to all financial products, including pensions.

If you suspect a scam, report it to:

- The Financial Conduct Authority (FCA) on **0800 111 6788** or at www.fca.org.uk
- Action Fraud on **0300 123 2040** or at www.actionfraud.police.uk

If you are in the middle of a transfer or retirement when you suspect a fraud please contact the ZPen team immediately.

Managing your expectations

We always aim to respond to your queries as quickly as we can, unfortunately some pension benefits can be quite complex so it can take us some time to reply. We also get very busy immediately after sending out newsletters like this! For many members the answers to your questions can be found in the FAQ section of the scheme website www.zpen.info so you may find it quicker to look there first. In addition more than 90% of members can now get up to date quotations from the scheme website.

Pension pay days 2020

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

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

You can also get the following information online 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

ZCashBuilder

How to contact us

ZPensionBuilder

The ZCashBuilder Team
RPMI
PO Box 377
Darlington
County Durham
DL3 6XY



Email: zcashbuiderteam@rpmi.co.uk

Telephone
0800 232 1915
Internal: 7727 6611

Pensioners

Email:
zurichteam@rpmi.co.uk

The ZPen Team
Compass House
Endsleigh Business Park
Shurdington Road
Cheltenham
GL51 4UE



Email: zpenteam@uk.zurich.com

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.

Zurich Pensioners' Association – are you missing out?

Zurich has a thriving Pensioners' Association with more than 4,800 members enjoying the contact, friendship, comfort and protection which the Association seeks to provide. The work of the Association is carried out on a voluntary basis. The Association's Executive and Area officers are all Zurich pensioners who give their time freely to assist their members.

The objects of the Pensioners' Association are:

- to watch over the interests of members generally and to represent them in any matter relating to pensions, social benefits and welfare;
- to sponsor any matter concerning the welfare of members or their dependants, and to organise comfort and aid where necessary; and
- to provide means of communication with and between members, including a bi-annual magazine and 13 regional groups running a variety of activities.

To cover expenses the Association currently asks members to pay a small subscription (currently £1 per month – deducted straight from your pension).

I hope you will appreciate the advantages of membership and if you wish to join us, you will be most cordially welcome. An application form is available on the scheme website www.zpen.info or by contacting our Membership Registrar, Paul Robinson on berylandpaul@gmail.com.

Mike Morris, Chair



Mike Morris, Chair