



Pensioners edition

# TrusteeNews

## Welcome to your TrusteeNews

The impact of COVID-19 on your scheme is covered elsewhere in this newsletter; overall, through adapting to new ways of working, we have been able to continue to run your scheme effectively. I would like to take this opportunity to thank everyone involved in the running of your scheme for their efforts in making this happen.

We have had another busy year, as you may have seen in our Newsflash! in September we finalised the valuation of the final salary elements of the scheme, you'll find a further update on the funding position on page 2.

There have been a number of changes to your Trustee board during the year, my colleagues on the Trustee board are shown below but I'd like to thank Simon Clifford, Tom McKenna and Graham Mearns, who all stood down during the year, for their contribution to the work of the Trustee board.

We are trying a slightly different approach to our TrusteeNews this year, as you may have noticed this edition is specifically aimed at you as a former employee or dependant of a former employee who is in receipt of a pension, so all of the content is relevant to you!



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

**David Sims** Chair

## COVID-19: The impact on your pension scheme

News about the COVID-19 pandemic has dominated the headlines over most of the year. Aside from the obvious health, social and economic issues that it has given rise to, the pandemic has also created various risks and challenges for your Trustee board.

The Trustee monitored the evolving situation with respect to employer covenant, investment, funding, scheme management and administration but its controls stood up well to the challenges. The administrators and advisers implemented their business continuity plans quickly and adapted to fully remote working. Virtual Trustee meetings have also run effectively.

The Pensions Regulator has issued multiple pieces of guidance during the pandemic covering scheme administration, investments and member communications, to enable Trustee directors to navigate through the various issues and challenges that have arisen.

Your Trustee board have taken the necessary steps to manage the specific risks and challenges and continue to monitor the position, keep up to date with the Regulator's guidance, and take appropriate legal, actuarial and investment advice in relation to particular issues and challenges as they arise.

## Your Trustee Board

New Trustee directors in 2020 were Katja Pluto, Hilary Newton, Derryn Yong and Liz Ryan. You can find out more about your Trustee directors at the scheme website [www.zpen.info](http://www.zpen.info). David Sims is also a Trustee director and Chair of the Trustee board.



Amy



Christian



Clive



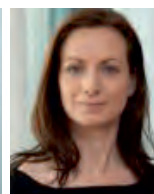
Derryn



Hilary



Katja



Liz



Neil



Tim



## Scheme funding update – final salary sections

Every three years the Trustee board 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 2019 – the summary below also shows the updated position as at 30 June 2020 and how this compares with recent years:

**Susanna Morran**  
Scheme Actuary

	ZPension Builder			ESExec			
	30 June 2018	30 June 2019	30 June 2020	30 June 2018	30 June 2019	30 June 2020	
	£ million	£ million	£ million	£ million	£ million	£ million	
Assets (excluding AVCs/APCs)	6,548	6,849	7,600	Assets (excluding AVCs/APCs)	195.8	199.4	210.5
Amount needed to provide benefits	7,177	7,666	8,460	Amount needed to provide benefits	186.2	181.5	184.8
(Shortfall)	(629)	(817)	(860)	Surplus	9.6	17.9	25.7
Funding level excluding Scottish Limited Partnership (SLP)	91%	89%	90%	Funding level	105%	110%	114%
Asset backed contribution (SLP)	845	880	867				
Surplus including SLP	216	63	7				
Funding level including SLP	103%	101%	100%				

Although it is important to remember that the figures shown at 30 June 2020 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 2019 and 2020 has been a reduction in government bond yields, which increases the value placed on the liabilities. This has been offset to a large extent by higher than assumed returns on the scheme’s assets. Whilst market conditions up to 30 June 2020 and then onwards include significant financial market and wider uncertainty due to the COVID pandemic and other issues, the Scheme Actuary still believes the assumptions and methodology used remain appropriate for the purposes of the actuarial report.

If a new full actuarial valuation were to be undertaken as at 30 June 2020 or as at the date of signing of the actuarial report, it should not be assumed that the same methodology would be used as there are various events that have occurred between 30 June 2019 and the date of signing the report that would be likely to lead to a review of the approach and the agreement of a revised Statement of Funding Principles.

The SLP arrangement involves loans guaranteed by Zurich Insurance Company in Switzerland and should generate an annual income stream for the ZPen section of the Scheme of £60 million until 2038 (or earlier if certain funding conditions are met or if certain prescribed events occur).

### 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 principal and participating employers to make sure that there is enough money in the scheme to enable the Trustee to secure members’ benefits with an insurance policy.

As part of the 2019 valuation, our actuary estimated that, if the scheme had wound up at 30 June 2019, there would still be enough money to secure 68% of members’ benefits in ZPen and 98% in the ES Exec section.

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.

You can get the full picture by logging onto the Trustees’ secure website [www.zpen.info](http://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 Trustee’s agent and the Trustee reimburses 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.

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

You may remember that in last year's TrusteeNews we gave you an update on a landmark legal ruling which requires pension schemes to equalise benefits for the effect of unequal Guaranteed Minimum Pensions (GMPs) for men and women. GMPs are unequal for men and women because, by law, they are calculated differently and are also payable from different ages.

The legal ruling is concerned with GMPs built up between 17 May 1990 and 5 April 1997 and presents many administrative challenges for pension schemes. During 2020, further guidance has been issued by the pensions industry GMP Equalisation Working Group, the DWP and HMRC. There has also been a follow up ruling in the GMP equalisation case.

We are continuing to work through the details but the considerations and calculations are complex and it may be some time before we can let affected members know the impact on their benefits. However, in nearly all cases, any increases in pension payments are expected to be very small.

## 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 the Zurich Team as soon as possible (our contact details are on page 4 of this newsletter).

### Dependant's pension nomination

If you are a scheme pensioner and you are not legally married or in a civil partnership, but there are other people who are financially dependent on you (for example a partner), they may be eligible to receive a dependant's pension upon your death.

You can complete a nomination form by simply logging in to your account at the scheme website [www.zpen.info](http://www.zpen.info).

### Lump Sum Death benefits

It is also important if you are a scheme pensioner who has been in receipt of a pension from the scheme for less than five years, to make sure you have completed a nomination form that gives the Trustee guidance about the distribution of any lump sum death benefit that may be payable when you die.

The lump sum benefit is paid at the discretion of your Trustee board so it is free from inheritance tax. Your Trustee board need to know who you would want to benefit to help them make the right decision when deciding who to pay the benefit to.

You can complete a nomination form by simply logging in to your account at the scheme website [www.zpen.info](http://www.zpen.info).

*NB: The above is not applicable to pensioners who have been in receipt of a pension from the scheme for more than 5 years and different arrangements may operate if you have benefits in the Allied Dunbar or Zurich Insurance tiers – see the member guide in the library at the scheme website [www.zpen.info](http://www.zpen.info) for further information.*

## Who gets a spouse's pension? Who qualifies?

If you are a scheme pensioner, married or in a civil partnership and not legally separated or otherwise not living together when you die then a spouse's pension will be payable to them.

If you are not married or in a civil partnership but are in a relationship where there is financial dependency or co-dependency, eg bank accounts, bills or mortgage are in joint names then your Trustee board will normally agree to pay a spouse's pension to your partner.

Your Trustee board won't normally agree to pay a pension to somebody where there is no evidence of financial dependency and you don't live together. However, there can be exceptions for special circumstances.

The spouse's pension varies depending on which part of the scheme you are a member of, further details can be found in the member guide in the library at the scheme website [www.zpen.info](http://www.zpen.info).



*NB: Following a rule change a number of years ago there is no longer any reduction in pension if your partner is more than 10 years younger than you.*

## Pension pay days 2021

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

Remember you can see your pension payslip every month by logging in to your account at [www.zpen.info](http://www.zpen.info)

## How to contact us

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**Tel:** 0800 232 1915 – option 1



## Did you know?

You can get the following information online at [www.zpen.info](http://www.zpen.info)

- Annual report & accounts
- Valuation report
- Member's guide
- Statement of investment & funding principles
- Contributions schedule
- Recovery plan
- Trustee dispute procedure
- Chair's statement on DC governance

## Scheme report & accounts – out now!

The scheme report and accounts is now available in the Library section of the scheme website [www.zpen.info](http://www.zpen.info)

Here are some edited highlights to whet your appetite!

Assets at 30 June 2019	£8.276bn
<b>IN</b>	
Contributions & income	£62.6m
Return on investments	£1,014m
<b>OUT</b>	
Pensions & other payments	£302.3m
Assets at 30 June 2020	£9.050bn

### Change in final salary membership from 30 June 2019 to 30 June 2020

Z Pen DB	30 Jun 19	30 Jun 20
Membership Totals	32,652	32,279
Members with final salary link	1,484	1,328
Preserved members	19,484	18,870
Current pensioners of whom:	11,684	12,081
Pensioners	10,207	10,654
Dependants	1,477	1,427

## Responsible Investment (RI)

Responsible investing is an approach that aims to incorporate Environmental, Social and Governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Examples of RI might include considering the impact a company or industry has on the environment or its policies on corporate governance.

Pensions are a long term investment and the Trustee believes that including RI in its investment decisions improves long term returns relative to the amount of investment risk.

Examples of RI in the final salary section of the scheme involve Infrastructure debt, this is the investment in public projects and services that people rely on to live, work and travel. The total investment as at 31 October 2020 was £385m which makes up around 5% of the ZPen section's assets, as a result of a refinement in the investment strategy, a further 5% will be invested by 2023. Typical investments include:

### Ground mounted solar



### Offshore wind



### Onshore wind



To find out more of our responsible investment policies and how we delivered on them, please visit the Statement of Investment Principles and the Implementation Statement – available in the Library section of the scheme website [www.zpen.info](http://www.zpen.info)

## The security of your data is important to us

As you know there is a privacy notice in place that sets out information regarding the collection, holding, use, disclosure and transfer (collectively known as "processing") of personal information (or data) relating to you. We review the privacy notice from time to time and the latest version can always be viewed on the scheme website [www.zpen.info](http://www.zpen.info)

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.